



晋商银行
Jinshang Bank

晋商银行股份有限公司
JINSHANG BANK CO., LTD.

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

Stock Code: 2558



2021 ANNUAL
REPORT

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Definitions

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

“Articles of Association”	our articles of association, as amended, supplemented or otherwise modified from time to time
“Bank” or “our Bank”	Jinshang Bank Co., Ltd. (晉商銀行股份有限公司), a joint stock company established on October 16, 1998 in the PRC with limited liability pursuant to the relevant PRC laws and regulations, and, if the context requires, includes its predecessors, branches and sub-branches, excluding its subsidiaries
“Board” or “Board of Directors”	the Board of Directors of the Bank
“Board of Supervisors”	the Board of Supervisors of the Bank
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“China” or “PRC”	the People’s Republic of China
“PRC Company Law”	the Company Law of the PRC
“Director(s)”	the director(s) of the Bank
“Domestic Shares”	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid up in Renminbi
“Group”, “we” or “us”	the Bank together with its subsidiaries, and, if the context requires, includes its predecessors, branches and sub-branches
“H Shares”	the ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“HK\$” or “HKD” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board
“Subsidiary(ies)”	has the meaning ascribed to it under Section 2 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)

Definitions

“PBoC” or “the central bank”	the People’s Bank of China (中國人民銀行)
“Qingxu Village and Township Bank”	Qingxu Jinshang Village and Township Bank Co., Ltd., a joint stock company established on January 19, 2012 in the PRC with limited liability, in which the Bank holds 51% of shares
“Reporting Period”	the year ended December 31, 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Share(s) of the Bank
“Share(s)”	ordinary shares in the share capital of the Bank with a nominal value of RMB1.00 each
“Supervisor(s)”	the supervisor(s) of the Bank

Corporate Information

Legal Chinese Name	晉商銀行股份有限公司*
Abbreviation in Chinese	晉商銀行
Legal English Name	Jinshang Bank Co., Ltd.
Abbreviation in English	Jinshang Bank
Legal Representative	HAO Qiang ¹
Authorized Representatives	HAO Qiang ² , WONG Wai Chiu
Secretary to the Board of Directors	LI Weiqiang
Joint Company Secretaries	LI Weiqiang, WONG Wai Chiu
Registered Address and Address of Head Office	No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong
Tel	0351-6819503
Fax	0351-6819503
E-mail	dongban@jshbank.com
Website	www.jshbank.com
Website of the Hong Kong Stock Exchange for publishing the H-share annual report	www.hkexnews.hk
Initial Registration Date	October 16, 1998
Registration Number of the Enterprise Business License	14000010067748
Unified Social Credit Code	911400007011347302
Financial License Institution Number	B0116H214010001

1 According to the Articles of Association, the Chairman of the Bank is the legal representative. The chairmanship of Ms. HAO Qiang was approved by the regulatory authorities on July 16, 2021. On September 1, 2021, the Bank completed the change of business registration of the legal representative.

2 The authorized representatives of the Bank have changed to Ms. HAO Qiang and Mr. WONG Wai Chiu since April 14, 2022.

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

Corporate Information

Listing Place of Shares	The Stock Exchange of Hong Kong Limited
Abbreviated Stock Name	JINSHANG BANK
Stock Code	2558
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wan Chai, Hong Kong
PRC Legal Advisor	King & Wood Mallesons 17th Floor, One ICC Shanghai ICC 999 Middle Huai Hai Road, Xuhui District, Shanghai, the PRC
Hong Kong Legal Advisor	Morgan, Lewis & Bockius Room 1902-09, 19th Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
Domestic Auditors	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower, Oriental Plaza No. 1 East Changan Ave. Dongcheng District Beijing, the PRC
International Auditors	Ernst & Young (Public Interest Entity Auditor registered under the Financial Reporting Council Ordinance) 27/F, One Taikoo Place 979 King's Road, Quarry Bay Hong Kong

Corporate Information

Board Committees

Development and Strategy Committee

HAO Qiang (Chairperson), JIN Haiteng (Vice Chairperson),
ZHANG Yunfei, LI Shishan, DUAN Qingshan

Audit Committee

WANG Liyan (Chairperson), SAI Zhiyi (Vice Chairperson), LIU Chenhang,
SUN Shihu, YE Xiang

Risk Management Committee

SAI Zhiyi (Chairperson), JIN Haiteng (Vice Chairperson), ZHANG Yunfei,
WANG Jianjun, DUAN Qingshan

Related Party Transactions Control Committee

JIN Haiteng (Chairperson), SUN Shihu (Vice Chairperson),
ZHANG Yunfei, WANG Liyan

Nomination, Remuneration and HR Committee

JIN Haiteng (Chairperson), DUAN Qingshan (Vice Chairperson),
HAO Qiang, XIANG Lijun, SAI Zhiyi

Consumer Rights Protection Committee

SUN Shihu (Chairperson), WANG Liyan (Vice Chairperson),
LI Yang, SAI Zhiyi

Summary of Five-Year Accounting Data and Financial Indicators

	For the year ended December 31,					
	2021	2020	Rate of change (%)	2019 (Restate ^{Note})	2018	2017
<i>(Expressed in millions of RMB, unless otherwise stated)</i>						
Results of operations						
Interest income ^{Note}	10,358.5	9,429.4	9.9	8,755.2	8,345.0	8,199.5
Interest expense	(6,804.5)	(5,988.7)	13.6	(5,496.2)	(5,166.2)	(4,184.3)
Net interest income ^{Note}	3,554.0	3,440.7	3.3	3,259.0	3,178.8	4,015.2
Fee and commission income ^{Note}	937.6	890.7	5.3	696.4	490.3	374.0
Fee and commission expense	(172.2)	(178.2)	(3.4)	(85.8)	(66.6)	(42.3)
Net fee and commission income ^{Note}	765.4	712.5	7.4	610.6	423.7	331.7
Net trading gains/(losses)	301.5	(119.5)	N/A	435.4	231.8	(59.9)
Net gains arising from investment securities	757.8	819.8	(7.6)	746.2	887.4	91.3
Other operating income ^(a)	12.0	14.5	(17.2)	37.7	31.1	7.6
Operating income	5,390.7	4,868.0	10.7	5,088.9	4,752.8	4,385.9
Operating expense	(2,070.5)	(1,824.3)	13.5	(1,836.8)	(1,750.8)	(1,680.3)
Impairment losses on credit	(1,652.9)	(1,452.9)	13.8	(1,665.5)	(1,535.5)	(1,203.5)
Share of profits of associate	24.5	21.5	14.0	20.9	33.2	18.1
Profit before tax	1,691.8	1,612.3	4.9	1,607.5	1,499.7	1,520.2
Income tax expense	(12.4)	(41.4)	(70.0)	(125.1)	(186.1)	(289.7)
Net profit	1,679.4	1,570.9	6.9	1,482.4	1,313.6	1,230.5
Net profit attributable to:						
Equity holders of the Bank	1,685.6	1,566.7	7.6	1,483.6	1,310.3	1,227.0
Non-controlling interests	(6.2)	4.2	(247.6)	(1.2)	3.3	3.5
Earnings per share attributable to equity holders of the Bank (presented in RMB per share)						
– Basic	0.29	0.27	7.4	0.28	0.27	0.33
– Diluted	0.29	0.27	7.4	0.28	0.27	0.33

Note:

(a) Consists primarily of income from government grants, revenue from disposals of dormant accounts for deposits, net gains from disposal of self-used property and equipment, default penalty income and penalty income.

Note: From 2020 onwards, the Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2019.

Summary of Five-Year Accounting Data and Financial Indicators

	As of December 31,					
	2021	2020	Rate of change (%)	2019	2018	2017

(Expressed in millions of RMB, unless otherwise stated)

Key indicators for assets/liabilities						
Total assets	303,291.5	270,943.6	11.9	247,571.2	227,247.8	206,869.8
Of which: net loans and advances to customers	151,007.4	131,836.5	14.5	111,712.6	98,118.1	94,250.4
Total liabilities	281,133.9	249,902.2	12.5	227,411.9	211,251.9	192,193.5
Of which: deposits from customers	199,207.2	176,781.7	12.7	155,322.2	144,896.8	136,198.9
Total equity	22,157.6	21,041.4	5.3	20,159.3	15,995.9	14,676.3
Of which: share capital	5,838.7	5,838.7	0.0	5,838.7	4,868.0	3,268.0
Equity attributable to equity holders of the Bank	22,136.0	21,013.6	5.3	20,135.2	15,969.9	14,642.8

	For the year ended December 31,					
	2021	2020	Change	2019	2018	2017

(Restate ^{Note})

Profitability indicators (%)						
Return on average total assets ⁽¹⁾	0.58	0.61	(0.03)	0.62	0.61	0.65
Return on average equity ⁽²⁾	7.77	7.63	0.14	8.20	8.70	10.11
Net interest spread ^{(3) Note}	1.47	1.59	(0.12)	1.69	1.68	2.03
Net interest margin ^{(4) Note}	1.43	1.54	(0.11)	1.62	1.70	2.25
Net fee and commission income to operating income ^{Note}	14.20	14.64	(0.44)	12.00	8.91	7.56
Cost-to-income ratio ⁽⁵⁾	36.84	36.01	0.83	34.79	35.75	37.19

Note: From 2020 onwards, the Group reclassified credit card installment income to interest income from fee and commission income, and restated the data for the same period of 2019.

Summary of Five-Year Accounting Data and Financial Indicators

	As of December 31,					
	2021	2020	Change	2019	2018	2017
Asset quality indicators (%)						
NPL ratio ⁽⁶⁾	1.84	1.84	0.00	1.86	1.87	1.64
Allowance coverage ratio ⁽⁷⁾	184.77	194.06	(9.29)	199.92	212.68	183.96
Allowance to gross loan ratio ⁽⁸⁾	3.39	3.58	(0.19)	3.71	3.97	3.02

	As of December 31,					
	2021	2020	Change	2019	2018	2017
Capital adequacy indicators (%) ⁽⁹⁾						
Core tier-one capital adequacy ratio ⁽¹⁰⁾	10.10	10.72	(0.62)	11.47	10.63	10.16
Tier-one capital adequacy ratio ⁽¹¹⁾	10.10	10.72	(0.62)	11.47	10.63	10.16
Capital adequacy ratio ⁽¹²⁾	12.02	11.72	0.30	13.60	12.99	12.52
Total equity to total assets	7.31	7.77	(0.46)	8.14	7.04	7.08
Other indicators (%)						
Loan-to-deposit ratio ⁽¹³⁾	78.18	78.49	(0.31)	75.49	70.99	71.36
Liquidity coverage ratio ⁽¹⁴⁾	322.30	327.19	(4.89)	252.85	226.64	113.34
Liquidity ratio ⁽¹⁵⁾	122.42	102.62	19.80	90.01	83.91	49.95

	As of December 31,			
	2021	2020	2019	2018
<i>(Expressed in millions of RMB, unless otherwise stated)</i>				
Net stable funding ratio ⁽¹⁶⁾				
Total available stable funding	183,776.0	164,644.8	147,133.4	133,954.3
Total required stable funding	132,859.6	116,608.1	107,250.6	102,688.0
Net stable funding ratio (%)	138.32	141.19	137.19	130.45

Notes:

- (1) Calculated by dividing net profit by the average balance of total assets at the beginning and the end of the period.
- (2) Calculated by dividing net profit by the average balance of total equity at the beginning and the end of the period.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.

Summary of Five-Year Accounting Data and Financial Indicators

- (4) Calculated by dividing net interest income by the average balance of total interest-earning assets.
- (5) Calculated by dividing total operating expenses (excluding tax and surcharges) by total operating income.
- (6) Calculated by dividing total NPLs by gross loans and advances to customers. Except as otherwise stated, the “gross loans and advances” referred to in this report exclude interest accrued.
- (7) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by total NPLs.
- (8) Calculated by dividing total allowance for impairment losses on loans to customers (including the provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income) by gross loans and advances to customers.
- (9) Calculated in accordance with the Capital Administrative Measures for Commercial Banks (Provisional).
- (10) Calculated by dividing core tier-one capital, net of core tier-one capital deductions, by risk-weighted assets.
- (11) Calculated by dividing tier-one capital, net of tier-one capital deductions, by risk-weighted assets.
- (12) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets.
- (13) Calculated by dividing total loans and advances to customers by total deposits from customers (excluding interest accrued).
- (14) Liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBIRC. Liquidity coverage ratio = eligible high-quality liquid assets/net cash outflows for the next 30 days × 100%.
- (15) Liquidity ratio is calculated in accordance with the formula promulgated by the CBIRC. Liquidity ratio = balance of current assets/balance of current liabilities × 100%.
- (16) Net stable funding ratio is calculated in accordance with the formula promulgated by the CBIRC. Net stable funding ratio = available stable funding/required stable funding × 100%. According to the Measures for Disclosure of Information on the Proportion of Net Stable Capital by Commercial Banks (Yin Bao Jian Fa [2019] No. 11) 《商業銀行淨穩定資金比例信息披露辦法》(銀保監發[2019]11 號) issued by the CBIRC in 2019.

Management Discussion and Analysis

1 REVIEW OF THE ECONOMIC, FINANCIAL AND POLICY ENVIRONMENT

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

Management Discussion and Analysis

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

2 BUSINESS OVERVIEW AND DEVELOPMENT STRATEGIES

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

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

Management Discussion and Analysis

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

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

Management Discussion and Analysis

Fourthly, we intensified the lead of technology and promoted the digital transformation.

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

Fifthly, we consolidated the security line of defense to prevent and defuse major risks.

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

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

Management Discussion and Analysis

3 INCOME STATEMENT ANALYSIS

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

Note:

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

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

Management Discussion and Analysis

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

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

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

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

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

Notes:

- (1) Calculated by dividing interest income/expense by average balance.
- (2) Consist of financial investments measured at amortized costs and financial investments measured at fair value through other comprehensive income.
- (3) Consists primarily of statutory deposit reserves and surplus deposit reserves.
- (4) Consists of certificates of interbank deposit, financial bonds and tier-two capital debts.

Management Discussion and Analysis

- (5) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (6) Calculated by dividing net interest income by the average balance of total interest-earning assets.

3.2 Interest income

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

Interest income from loans and advances to customers

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

Interest income from financial investments

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

Interest income from placements with banks and other financial institutions

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

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Interest income from financial assets held under resale agreements

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

Interest income from deposits with the central bank

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

Interest income from deposits with banks and other financial institutions

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

3.3 Interest expense

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

Interest expense on deposits from customers

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

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Interest expense on deposits from banks and other financial institutions

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

Interest expense on placements from banks and other financial institutions

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

Interest expense on financial assets sold under repurchase agreements

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

Interest expense on debt securities issued

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

Interest expense on borrowing from the central bank

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

Management Discussion and Analysis

3.4 Net fee and commission income

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

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

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

3.5 Net trading gains

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

3.6 Net gains arising from investment securities

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

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3.7 Operating expenses

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

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

Notes:

- (1) Consist primarily of insurance premiums, electronic equipment operating cost, business marketing expenses, banknote shipping fee and security expenses.
- (2) Calculated by dividing total operating expenses (net of taxes and surcharges) by total operating income.

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

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

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Staff Costs

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

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

Rental and Property Management Expenses

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

Depreciation and Amortization

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

Taxes and Surcharges

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

Other General and Administrative Expenses

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

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3.8 Impairment losses on credit

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

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

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

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3.9 Income tax

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

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

Note:

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

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

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4 FINANCIAL STATEMENT ANALYSIS

4.1 Assets

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

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

Note:

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

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

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Loans and Advances to Customers

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

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

Corporate Loans

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

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

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

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

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

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

Note:

(1) Consist primarily of syndicated loans.

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

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

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

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Personal Loans

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

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

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

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

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

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

Management Discussion and Analysis

Discounted Bills

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

Financial Investments

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

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

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

Management Discussion and Analysis

Debt Securities Investment

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

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

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

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

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

Management Discussion and Analysis

SPV Investment

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

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

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

Other Components of the Group's Assets

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

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

Note:

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

Management Discussion and Analysis

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

4.2 Liabilities

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

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

Notes:

- (1) Consists of certificates of interbank deposit, financial bonds and tier-two capital bonds.
- (2) Consists primarily of accrued staff cost, lease liabilities, estimated liabilities and other financial payables.

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

Management Discussion and Analysis

Deposits from Customers

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

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

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

Note:

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

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

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

Management Discussion and Analysis

Debt Securities Issued

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

Financial Assets Sold under Repurchase Agreements

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

4.3 Equity

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

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

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

Management Discussion and Analysis

5 OFF-BALANCE SHEET ITEMS ANALYSIS

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

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

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

Management Discussion and Analysis

6 ASSET QUALITY ANALYSIS

Distribution of Loans by Five-Category Loan Classification

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

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

Note:

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

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

Management Discussion and Analysis

Distribution of Loans by Collateral

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

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

Note:

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

Management Discussion and Analysis

Distribution of Corporate Loans by Industry

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

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

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

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

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

Management Discussion and Analysis

Distribution of Non-Performing Corporate Loans by Industry

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

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

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

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

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

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

Management Discussion and Analysis

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

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

Distribution of NPLs by Product Type

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

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

Notes:

- (1) Calculated by dividing NPLs in each product type by gross loans and advances to customers in that product type.
- (2) Mainly comprised of advances for bank acceptance bills.

Management Discussion and Analysis

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

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

Distribution of NPLs by Geographical Region

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

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

Note:

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

Management Discussion and Analysis

Borrowers Concentration

Loans to the Ten Largest Single Borrowers

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

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

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

Note:

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

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

Management Discussion and Analysis

Loan Aging Schedule

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

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

Note:

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

Management Discussion and Analysis

Changes to Allowance for Impairment Losses

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

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

Notes:

- (1) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,854.2 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB14.3 million.
- (2) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB5,277.1 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB4.4 million.
- (3) include (i) allowance for impairment losses on the loans and advances to customers measured at amortized cost which amounted to RMB4,260.9 million; and (ii) allowance for impairment losses on the loans and advances measured at fair value through other comprehensive income which amounted to RMB22.1 million.

7 GEOGRAPHICAL SEGMENTS REPORT

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

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

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

Management Discussion and Analysis

8 CAPITAL ADEQUACY RATIO AND LEVERAGE RATIO ANALYSIS

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

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

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

Management Discussion and Analysis

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

9 RISK MANAGEMENT

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

Credit Risk

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

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

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

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

Management Discussion and Analysis

Management of large-scale risk exposure

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

Market Risk

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

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

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

Liquidity Risk

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

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

Management Discussion and Analysis

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

Operational Risk

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

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

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

Management Discussion and Analysis

Information Technology Risk

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

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

Reputational Risk

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

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

Strategic Risk

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

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

Management Discussion and Analysis

10 BUSINESS REVIEW

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

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

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

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

Note:

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

Corporate banking

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

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

Management Discussion and Analysis

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

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

Retail banking

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

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

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

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

Management Discussion and Analysis

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

Financial markets business

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

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

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

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

Interbank Market Transactions

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

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

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

Management Discussion and Analysis

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

Investment Management

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

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

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

Wealth Management

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

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

Management Discussion and Analysis

Debt Securities Distribution

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

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

Small and micro enterprise

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

As of December 31, 2021, our head office has set up a small enterprise financial department, and 4 directly-controlled branches in Taiyuan and 10 non-local branches have set up small and micro financial departments or small and micro financial teams, and three small and micro business franchised sub-branches in our institution outlets.

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

As of December 31, 2021, the balance of inclusive loans to small and micro enterprises of the Bank (operation data of bill discounting and rediscount shall be excluded according to the regulatory assessment of "two increases" in 2021) amounted to RMB5,745.9 million, representing an increase of RMB1,247.0 million from December 31, 2020; the number of inclusive small and micro enterprise customers was 3,278, representing an increase of 359 from December 31, 2020, achieving the target of "two increases".

Changes in Share Capital and Information of Shareholders

I. CHANGES IN SHARE CAPITAL

As at December 31, 2021, the Bank issued a total of 5,838,650,000 shares, including 4,868,000,000 Domestic Shares and 970,650,000 H Shares.

	December 31, 2020		Changes during the Reporting Period	December 31, 2021	
	Number of shares	Percentage to total share capital		Number of shares	Percentage to total share capital
Domestic state-owned shares	466,142,486	7.98%	+715,109,200	1,181,251,686	20.23%
Domestic state-owned legal person shares	2,732,041,542	46.79%	-715,109,200	2,016,932,342	34.54%
Domestic social legal person shares	1,590,785,918	27.25%	+301,362	1,591,087,280	27.25%
Domestic natural person shares	79,030,054	1.35%	-301,362	78,728,692	1.35%
H Shares	970,650,000	16.62%	-	970,650,000	16.62%
Total shares	5,838,650,000	100.00%	-	5,838,650,000	100.00%

Note: The difference between the figures in the table and the aggregate figures is due to rounding.

II. INFORMATION OF SHAREHOLDERS

1. Total number of domestic shareholders

As at December 31, 2021, the total number of domestic shareholders of the Bank was 7,249.

2. Top 10 holders of Domestic Shares

As at December 31, 2021, the Bank's top 10 holders of Domestic Shares are as follows:

No.	Name of Shareholder	Nature of Shareholder	Total number of shares held at the end of the Reporting Period (shares)	Percentage to total share capital at the end of the Reporting Period (%)	Shares pledged or frozen	Share status	Quantity
1	Shanxi Finance Bureau (山西省財政廳) ⁽²⁾	State-owned shares	715,109,200	12.25%	Normal	-	-
2	Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	State-owned legal person shares	600,000,000	10.28%	Normal	-	-
3	Taiyuan Municipal Finance Bureau (太原市財政局)	State-owned shares	466,142,486	7.98%	Normal	-	-
4	Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司) ("Changzhi Nanye")	Social legal person shares	450,657,435	7.72%	Normal	-	-
5	Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	State-owned legal person shares	359,091,687	6.15%	Normal	-	-

Changes in Share Capital and Information of Shareholders

No.	Name of Shareholder	Nature of Shareholder	Total number of shares held at the end of the Reporting Period (shares)	Percentage to total share capital at the end of the Reporting Period (%)	Shares pledged or frozen	Share status	Quantity
6	Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司) (“ Shanxi International Electricity ”)	State-owned legal person shares	300,000,000	5.14%	Normal		-
7	Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司)	State-owned legal person shares	291,339,054	4.99%	Normal		-
8	Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司) (“ Changzhi Huashengyuan ”)	Social legal person shares	234,569,820	4.02%	Normal		-
9	Taiyuan Steel (Group) Co., Ltd. (太原鋼鐵(集團)有限公司)	State-owned legal person shares	200,000,000	3.43%	Normal		-
10	Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司) ⁽³⁾	State-owned legal person shares	200,000,000	3.43%	Normal		-
Total			3,816,909,682	65.39% ⁽¹⁾			-

Notes:

- (1) The difference between the figures in the table and the aggregate figures is due to rounding.
- (2) On December 28, 2020, the CBIRC Shanxi Office issued an approval qualifying Shanxi Finance Bureau as the shareholder of the Bank. Shanxi Financial Investment Holding Group Co., Ltd., the current shareholder of the Bank, gave all its domestic shares (accounting for 12.25% of the total issued shares of the Bank) to the Shanxi Finance Bureau for nil consideration. During the Reporting Period, the registration procedures of such share transfer have been completed. Shanxi Finance Bureau became the Shareholder of the Bank and held 715,109,200 Domestic Shares of the Bank.
- (3) Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股裝備製造集團有限公司) was formerly known as Shanxi Jincheng Anthracite Coal Mining Group Co., Ltd. (山西晉城無煙煤礦業集團有限責任公司).

Changes in Share Capital and Information of Shareholders

3. Interests and short positions under the SFO in Hong Kong

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

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Shanxi State-owned Capital Operation Co., Ltd. (山西省國有資本運營有限公司) ("SSCO") ⁽¹⁾	Interest in controlled corporations	Domestic Shares	1,212,220,564		20.76%	24.90%
Shanxi Finance Bureau (山西省財政廳)	Beneficial owner	Domestic Shares	715,109,200		12.25%	14.69%
China Huaneng Group Co., Ltd. (中國華能集團有限公司) ("China Huaneng Group") ⁽²⁾	Interest in controlled corporations	Domestic Shares	600,000,000		10.28%	12.33%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	Beneficial owner	Domestic Shares	600,000,000		10.28%	12.33%
Taiyuan Municipal Finance Bureau (太原市財政局)	Beneficial owner	Domestic Shares	466,142,486		7.98%	9.58%
	Interest in controlled corporations	H Shares	102,400,000		1.75%	10.55%
Taiyuan State-owned Investment Group Limited (太原國有投資集團有限公司)	Beneficial owner	H Shares	102,400,000		1.75%	10.55%
Changzhi Nanye ⁽³⁾	Beneficial owner	Domestic Shares	450,657,435		7.72%	9.26%
	Interest in controlled corporations	Domestic Shares	234,569,820		4.02%	4.82%
Mr. Li Jianming ⁽³⁾	Interest in controlled corporations	Domestic Shares	685,227,255		11.74%	14.08%
Ms. WANG Yanli ⁽³⁾	Interest in controlled corporations	Domestic Shares	685,227,255		11.74%	14.08%
Changzhi Huashengyuan ⁽³⁾	Beneficial owner	Domestic Shares	234,569,820		4.02%	4.82%
	Interest in controlled corporations	Domestic Shares	450,657,435		7.72%	9.26%
Lu'an Chemical Industry Group Co., Ltd. (潞安化工集團有限公司) ⁽¹⁾	Interest in controlled corporations	Domestic Shares	359,091,687		6.15%	7.38%
Shanxi Lu'an Mining (Group) Co., Ltd. ⁽¹⁾	Beneficial owner	Domestic Shares	359,091,687		6.15%	7.38%
Jinneng Holdings Group Ltd. ⁽⁴⁾	Interest in controlled corporations	Domestic Shares	500,000,000		8.56%	10.27%
Jinneng Group Co., Ltd. (晉能控股電力集團有限公司) ⁽⁴⁾	Interest in controlled corporations	Domestic Shares	300,000,000		5.14%	6.16%
Shanxi International Electricity ⁽¹⁾⁽⁴⁾	Beneficial owner	Domestic Shares	300,000,000		5.14%	6.16%

Changes in Share Capital and Information of Shareholders

Name of Shareholder	Nature of interest	Class of Shares	Number of Shares directly or indirectly held (long position)	Number of Shares directly or indirectly held (short position)	Approximate % of interest in the Bank	Approximate % of the relevant class of Shares of the Bank
Shanxi Coking Coal Group Co., Ltd. ⁽¹⁾	Beneficial owner	Domestic Shares	291,339,054		4.99%	5.98%
	Interest in controlled corporations	Domestic Shares	5,789,823		0.10%	0.12%
Shanxi Qinxin Energy Group Co., Ltd. (山西沁新能源集團股份有限公司)	Beneficial owner	H Shares	102,297,000		1.75%	10.54%
Taiyuan Industrial Park Investment Holdings Co., Ltd. (太原工業園區投資控股有限公司)	Beneficial owner	H Shares	102,297,000		1.75%	10.54%
China Credit Trust Co., Ltd. (中誠信託有限責任公司) ⁽⁵⁾	Interest in controlled corporations	H Shares	102,297,000		1.75%	10.54%
Harvest Fund Management Co., Ltd (嘉實基金管理有限公司) ⁽⁵⁾	Investment manager	H Shares	102,297,000		1.75%	10.54%
China Foreign Economy and Trade Trust Co., Ltd. (中國對外經濟貿易信託有限公司)	Trustee	H Shares	102,297,000		1.75%	10.54%
Guotai Asset Management Co., Ltd. (國泰基金管理有限公司)	Investment manager	H Shares	62,044,000		1.06%	6.39%
Guotai Junan Securities Co., Ltd. ⁽⁶⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Financial Holdings Limited ⁽⁶⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Holdings Limited ⁽⁶⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan International Holdings Limited (國泰君安國際控股有限公司) ⁽⁶⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan (Hong Kong) Limited (國泰君安(香港)有限公司) ⁽⁶⁾	Interest in controlled corporations	H Shares	61,300,000		1.05%	6.32%
	Interest in controlled corporations	H Shares		61,300,000	1.05%	6.32%
Guotai Junan Financial Products Limited (國泰君安金融產品有限公司) ⁽⁶⁾	Beneficial owner	H Shares	61,300,000		1.05%	6.32%
	Beneficial owner	H Shares		61,300,000	1.05%	6.32%
GF Asset Management – Xumao Single Investment Asset Management Plan (廣發資管 – 旭茂投資單一資產管理計劃)	Trustee	H Shares	57,830,000		0.99%	5.96%

Changes in Share Capital and Information of Shareholders

Notes:

- (1) Shanxi State-owned Capital Operation Co., Ltd. was formerly as Shanxi State-owned Capital Investment and Operation Co., Ltd.

SSCO indirectly held 1,212,220,564 Domestic Shares, representing 20.76% equity interest in our Bank. SSCO's shareholding in our Bank was held through certain subsidiaries, including (i) Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司) (a wholly-owned subsidiary of Lu'an Chemical Industry Group Co., Ltd. (潞安化工集團有限公司)), 90% equity interest of which is held by SSCO) with 6.15% equity interest in our Bank; (ii) SSCO held 90% equity interest in Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司) with 4.99% equity interest in our Bank and Shanxi Tongpei Coal Comprehensive Operation Company (山西統配煤礦綜合經營總公司), a wholly-owned subsidiary of Shanxi Coking Coal Group Co., Ltd., held 0.10% equity interest in the Bank; (iii) Shanxi International Electricity with 5.14% equity interest in our Bank; (iv) Jinneng Holding Equipment Manufacturing Group Co., Ltd. with 3.43% equity interest in our Bank; and (v) Shanxi Investment Group Co., Ltd. (山西省投資集團有限公司) (a wholly-owned subsidiary of Shanxi Cultural Tourism Investment Holding Group Co., Ltd. (山西省文化旅遊投資控股集團有限公司)), 90% equity interest of which is held by SSCO) with 0.96% equity interest in our Bank.

- (2) China Huaneng Group indirectly held 600,000,000 Domestic Shares, representing 10.28% equity interest in our Bank through Huaneng Capital Services Co., Ltd., in which China Huaneng Group held 61.22% equity interest. By virtue of SFO, China Huaneng Group is deemed to be interested in the Domestic Shares held by Huaneng Capital Services Co., Ltd.

- (3) Mr. LI Jianming held 90% equity interest in Changzhi Nanye, and Ms. WANG Yanli held 70% equity interest in Changzhi Huashengyuan.

Changzhi Nanye and Changzhi Huashengyuan are parties acting-in-concert according to their respective confirmation. Therefore, Mr. LI Jianming, Ms. WANG Yanli, Changzhi Nanye and Changzhi Huashengyuan will be deemed to be interested in 685,227,255 Domestic Shares, representing 11.74% equity interest in our Bank. By virtue of SFO, Mr. LI Jianming and Ms. WANG Yanli are deemed to be interested in the Domestic Shares held by both Changzhi Nanye and Changzhi Huashengyuan, while Changzhi Nanye and Changzhi Huashengyuan are deemed to be interested in the Domestic Shares held by each other.

- (4) SSCO held 100% equity interest in Jinneng Holding Group Co. Ltd. (晉能控股集團有限公司). Jinneng Group Co., Ltd., a subsidiary of Jinneng Holding Group Co. Ltd. with 64% equity interest, indirectly held 300,000,000 Domestic Shares, representing 5.14% equity interest in our Bank through its wholly-owned subsidiary, Shanxi International Electricity. By virtue of SFO, Jinneng Holding Group Co., Ltd. and Jinneng Group Co., Ltd. are deemed to be interested in the Domestic Shares held by Shanxi International Electricity.

Jinneng Holding Group Co. Ltd. indirectly held 200,000,000 Domestic Shares, representing 3.43% equity interest in our Bank, through its 70% equity interest in Jinneng Holding Equipment Manufacturing Group Co., Ltd. By virtue of SFO, Jinneng Holding Group Co. Ltd. is deemed to be interested in the Domestic Shares held by Jinneng Holding Equipment Manufacturing Group Co., Ltd.

- (5) China Credit Trust Co., Ltd. was interested in the long position of 102,297,000 H Shares, representing 1.75% equity interest in our Bank through its 40%-owned company, Harvest Fund Management Co., Ltd.. By virtue of SFO, China Credit Trust Co., Ltd. is deemed to be interested in the H Shares held by Harvest Fund Management Co., Ltd.

- (6) Guotai Junan Securities Co., Ltd was interested in the long position of 61,300,000 H Shares, representing 1.05% equity interest in our Bank, and 61,300,000 short positions in H Shares, representing 1.05% equity interest in our Bank through its wholly-owned subsidiaries, Guotai Junan Financial Holdings Limited, Guotai Junan Holdings Limited, Guotai Junan International Holdings Limited with 68.10% equity interest indirectly, Guotai Junan (Hong Kong) Limited (a wholly-owned subsidiary) and Guotai Junan Financial Products Limited indirectly. By virtue of SFO, Guotai Junan Securities Co., Ltd, Guotai Junan Financial Holdings Limited, Guotai Junan Holdings Limited, Guotai Junan International Holdings Limited and Guotai Junan (Hong Kong) Limited are deemed to be interested in the H Shares held by Guotai Junan Financial Products Limited.

Changes in Share Capital and Information of Shareholders

III. SUBSTANTIAL SHAREHOLDERS DURING THE REPORTING PERIOD

According to the Interim Measures for the Equity Management of Commercial Banks issued by the CBIRC, substantial shareholders of a commercial bank refer to shareholders holding or controlling 5% or more of shares or voting right of the commercial bank, or holding less than 5% of total capital or total shares of the commercial bank but having significant impact on the operational management of the commercial bank. The significant impact mentioned above includes but not limited to dispatching directors, supervisors or senior management to a commercial bank, influencing the financial and operational management decisions of commercial banks through agreements or other means and other circumstances identified by the CBIRC or its local offices.

1. Shareholders holding 5% or more of the Bank's share capital

Shanxi Finance Bureau is a government authority legal person, and the ultimate beneficiary is the Shanxi Finance Bureau, without person acting-in-concert.

The controlling shareholder of Huaneng Capital Services Co., Ltd. is China Huaneng Group; the actual controller is the State-owned Assets Supervision and Administration Commission of the State Council, and the ultimate beneficiary is Huaneng Capital Services Co., Ltd., without person acting-in-concert.

Taiyuan Municipal Finance Bureau is a government authority legal person, and the ultimate beneficiary is the Taiyuan Municipal Finance Bureau, without person acting-in-concert.

The controlling shareholder of Changzhi Nanye is LI Jianming; the actual controller is LI Jianming, and the ultimate beneficiary is Changzhi Nanye, being persons acting-in-concert with Changzhi Huashengyuan.

Shanxi Lu'an Mining (Group) Co., Ltd. is wholly-owned by Lu'an Chemical Industry Group Co., Ltd. (潞安化工集團有限公司); the actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province, and the ultimate beneficiary is Shanxi Lu'an Mining (Group) Co., Ltd., without person acting-in-concert.

Shanxi International Electricity is wholly-owned by Jinneng Group Co., Ltd.; the actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province, and the ultimate beneficiary is Shanxi International Electricity, without person acting-in-concert.

For shareholders holding 5% or more of the Bank's share capital, please also see II. Information of Shareholders above.

Changes in Share Capital and Information of Shareholders

2. Other substantial shareholders

In addition to the Shanxi Finance Bureau, Huaneng Capital Services Co., Ltd., Taiyuan Municipal Finance Bureau, Changzhi Nanye, Shanxi Lu'an Mining (Group) Co., Ltd. and Shanxi International Electricity disclosed above, Jinneng Holding Equipment Manufacturing Group Co., Ltd. holds less than 5% of the Bank's shares but dispatch directors or supervisors to the Bank; Shanxi Coking Coal Group Co., Ltd. (山西焦煤集團有限責任公司) in aggregate holds more than 5% of the Bank's shares, directly and through its wholly-owned subsidiary, Shanxi Tongpei Coal Comprehensive Operation Company (山西統配煤礦綜合經營總公司); and Changzhi Huashengyuan and Changzhi Nanye, being parties acting-in-concert, in aggregate hold more than 5% of the Bank's shares.

The controlling shareholder of Jinneng Holding Equipment Manufacturing Group Co., Ltd. is Jinneng Holding Group Co. Ltd. The actual controller is the State-owned Assets Supervision and Administration Commission of Shanxi Province, and the ultimate beneficiary is Jinneng Holding Equipment Manufacturing Group Co., Ltd., without person acting-in-concert.

IV. SHAREHOLDERS' NOMINATION OF DIRECTORS AND SUPERVISORS

- (1) Shanxi Finance Bureau nominated LI Shishan as a Director of the Bank;
- (2) Huaneng Capital Services Corporation Ltd. nominated XIANG Lijun as a Director of the Bank;
- (3) Taiyuan Municipal Finance Bureau nominated LIU Chenhang as a Director of the Bank;
- (4) Changzhi Nanye nominated LI Yang as a Director of the Bank;
- (5) Shanxi Lu'an Mining (Group) Co., Ltd. nominated WANG Jianjun as a Director of the Bank;
- (6) Jinneng Holding Equipment Manufacturing Group Co., Ltd. nominated Bi Guoyu as a Supervisor of the Bank;
- (7) Shanxi International Electricity nominated XIA Guisuo as a Supervisor of the Bank.

V. PURCHASE, SALE AND REDEMPTION OF ANY OF THE BANK'S LISTED SECURITIES

As at the date of this annual report, the Bank or any of its subsidiaries did not purchase, sell or redeem any of the Bank's listed securities.

Directors, Supervisors, Senior Management and Employees

I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Directors

Our Board of Directors consists of thirteen Directors, including two executive Directors, five non-executive Directors and six independent non-executive Directors. Our Directors are elected for a term of three years and are subject to re-election, provided that the cumulative term of an independent non-executive Director shall not exceed six years in accordance with PRC laws and regulations. The following table sets forth certain information regarding our Directors.

Name	Age	Position(s)	Date of appointment ⁽¹⁾
Ms. HAO Qiang (郝強)	49	Executive Director, chairwoman	July 16, 2021
Mr. ZHANG Yunfei (張雲飛)	51	Executive Director, vice chairman	August 30, 2021
Mr. LI Shishan (李世山)	57	Non-executive Director	June 21, 2017
Mr. XIANG Lijun (相立軍)	45	Non-executive Director	August 8, 2018
Mr. LIU Chenhang (劉晨行)	57	Non-executive Director	December 30, 2019
Mr. LI Yang (李楊)	35	Non-executive Director	May 4, 2018 ⁽²⁾
Mr. WANG Jianjun (王建軍)	46	Non-executive Director	August 8, 2018
Mr. JIN Haiteng (金海騰)	70	Independent non-executive Director	June 5, 2017
Mr. SUN Shihu (孫試虎)	77	Independent non-executive Director	February 24, 2017
Mr. WANG Liyan (王立彥)	65	Independent non-executive Director	September 14, 2018
Mr. DUAN Qingshan (段青山)	64	Independent non-executive Director	May 4, 2018 ⁽²⁾
Mr. SAI Zhiyi (賽志毅)	53	Independent non-executive Director	August 7, 2018
Mr. YE Xiang (葉翔)	58	Independent non-executive Director	August 8, 2019

Notes:

- (1) The date of appointment as a Director stated here represents the date on which the relevant Director obtained the qualification approval from CBIRC Shanxi Office.
- (2) The date of appointment as a Director for Mr. LI Yang and Mr. DUAN Qingshan stated here represents the date on which each of them was elected as a Director at the relevant shareholders' general meeting of our Bank. Their qualifications of directorship are subject to the approval by the CBIRC Shanxi Office.

Directors, Supervisors, Senior Management and Employees

2. Supervisors

The PRC Company Law requires a joint stock company to establish a board of supervisors that is responsible for supervising performance of the board of directors and senior management, its financial operations, internal control and risk management. Our Board of Supervisors consists of eight Supervisors, including three employee Supervisors, two Shareholder Supervisors and three external Supervisors. Our Supervisors are elected for a term of three years and may be subject to re-election, and the cumulative term of an external Supervisor shall not exceed six years. The following table sets forth certain information about our Supervisors.

Name	Age	Position(s)	Date of appointment
Mr. XIE Liying (解立鷹)	54	Employee Supervisor Chairman of the Board of Supervisors	July 24, 2009 (as a Supervisor) December 8, 2016 (as the chairman of the Board of Supervisors)
Mr. BI Guoyu (畢國鈺)	57	Shareholder Supervisor	February 5, 2009
Mr. XIA Guisuo (夏貴所)	59	Shareholder Supervisor	May 4, 2018
Mr. WEN Qingquan (溫清泉)	48	Employee Supervisor	May 13, 2019
Mr. GUO Zhenrong (郭振榮)	57	Employee Supervisor	May 13, 2019
Mr. LIU Shoubao (劉守豹)	54	External Supervisor	December 18, 2015
Mr. WU Jun (吳軍)	68	External Supervisor	May 4, 2018
Mr. LIU Min (劉旻)	59	External Supervisor	May 4, 2018

Directors, Supervisors, Senior Management and Employees

3. Senior management

Name	Age	Position(s)	Date of appointment ⁽¹⁾
Mr. ZHANG Yunfei (張雲飛)	51	Vice president (Taking up duties and responsibilities of the president)	August 30, 2021
Mr. ZHAO Jiquan (趙基全)	48	Vice president	October 29, 2021
Mr. LI Yanbin (李燕斌)	43	Vice president	January 14, 2022 ⁽²⁾
Mr. WANG Yibin (王義斌)	51	Vice president	January 14, 2022 ⁽³⁾
Mr. WEN Gensheng (溫根生)	56	Chief human resources officer	December 8, 2016 ⁽⁴⁾
Mr. LI Weiqiang (李為強)	57	Secretary to the Board of Directors	December 9, 2019
Mr. SHANGGUAN Yujiang (上官玉將)	49	Assistant to the president	December 9, 2019
Ms. LI Wenli (李文莉)	52	Chief audit officer	March 26, 2021 ⁽⁵⁾

Notes:

- (1) Unless otherwise stated, the date of appointment stated here represents the date on which the relevant senior management members obtained the qualification approval from the CBIRC Shanxi Office.
- (2) The date stated here represents the date of appointment to the Board of Directors of Mr. LI Yanbin, which is subject to the qualification approval by the CBIRC Shanxi Office.
- (3) The date stated here represents the date of appointment to the Board of Directors of Mr. WANG Yibin, which is subject to the qualification approval by the CBIRC Shanxi Office.
- (4) Mr. WEN Gensheng is our chief human resources officer whose qualification does not need to obtain the qualification approval from CBIRC Shanxi Office. The date stated here represents the date of appointment by the Board of Directors.
- (5) The date stated here represents the date of appointment to the Board of Directors of Ms. LI Wenli, which is subject to the qualification approval by the CBIRC Shanxi Office.

II. CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Between the Reporting Period and the date of this annual report, the following changes have been made to the Directors, Supervisors and senior management of the Bank.

Changes in Directors

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

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

Directors, Supervisors, Senior Management and Employees

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

On July 16, 2021, Ms. HAO Qiang’s qualification as a Director and the Chairwoman has been approved by CBIRC Shanxi Office. For details, please refer to the announcement entitled “ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS DIRECTOR AND CHAIRWOMAN BY THE REGULATORY AUTHORITY” issued by the Bank on July 19, 2021.

On August 30, 2021, Mr. ZHANG Yunfei’s qualification as a Director and the Vice Chairman has been approved by CBIRC Shanxi Office. For details, please refer to the announcement entitled “ANNOUNCEMENT ON APPROVAL OF THE QUALIFICATION AS DIRECTOR, VICE CHAIRMAN AND VICE PRESIDENT BY THE REGULATORY AUTHORITY” issued by the Bank on August 31, 2021.

On September 1, 2021, the Bank completed the change to industrial and commercial registration for the legal representative.

Changes in Supervisors

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

Changes in Senior Management

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

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

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

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

Directors, Supervisors, Senior Management and Employees

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

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

On January 14, 2022, Mr. LI Yanbin and Mr. WANG Yibin were appointed by the Board as vice presidents, whose qualification of such appointment is subject to the approval by CBIRC Shanxi Office.

On March 30, 2022, Ms. HOU Xiuping tendered her resignation as the chief financial officer of the Bank due to work re-arrangement. Such resignation took effect on March 30, 2022.

On March 30, 2022, Mr. NIU Jun tendered his resignation as the chief operation officer of the Bank due to work re-arrangement. Such resignation took effect on March 30, 2022.

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

Changes in Joint Company Secretaries

On March 26, 2021, Ms. YANG Jingwen ceased to serve as joint company secretary of the Bank. As at the same date, Mr. WONG Wai Chiu was appointed as joint company secretary of the Bank. For details, please refer to the announcement entitled “Change of Joint Company Secretary, Authorized Representative and Process Agent and Waiver from Strict Compliance with Rules 3.28 and 8.17 of the Listing Rules and Change of Building Name of Principal Place of Business in Hong Kong” issued by the Bank on March 26, 2021.

Each Director may discuss with the company secretaries for advice and information. Mr. LI Weiqiang is Mr. WONG Wai Chiu’s main contact in the Bank.

III. BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Directors

Executive Director and chairwoman of the Board, HAO Qiang

Ms. HAO Qiang (郝強), aged 49, has been an executive Director and the chairwoman of the Board since July 16, 2021.

Ms. Hao has over 25 years of experience in banking industry. She joined our Bank in September 2008 and worked at the preparatory team of our Bank from September 2008 to May 2009. Afterwards, Ms. Hao served as the general manager of the credit review department (授信審查部) of our Bank from May 2009 to May 2013, as the principal (負責人) and then the president of Jinyang sub-branch of our Bank from May 2013 to January 2015, as the assistant to the president of our Bank and the general manager of the corporate finance department (公司金融部) from January 2015 to November 2017, during which period she was also the general manager of the investment banking department (投資銀行部) of our Bank from April 2015 to January 2017, as the secretary to the Board of Directors from June 2017 to April 2019, and as the vice president of our Bank from November 2017 to April 2021. Prior to joining our Bank, Ms. Hao successively worked at the Taiyuan branch and then the Shanxi branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) (“ICBC”) (a company listed on the Shanghai Stock Exchange with stock code 601398, and on the Hong Kong Stock Exchange with stock code 1398) from December 1993 to September 2008.

Directors, Supervisors, Senior Management and Employees

Ms. Hao obtained a bachelor's degree in English from Shanxi Normal University (山西師範大學) in Shanxi Province, the PRC, in June 1993. She completed the on-the-job postgraduate study in finance of Shanxi University of Finance and Economics (山西財經大學) in Shanxi Province, the PRC, in July 2003. Ms. Hao completed the EMBA core courses training program of ICBC and obtained the training certificate in November 2005.

Executive Director and vice chairman, ZHANG Yunfei

Mr. ZHANG Yunfei (張雲飛), aged 51, has been an executive Director and the vice chairman of the Board since August 30, 2021.

Mr. Zhang has more than 25 years of experience in banking industry. He joined our Bank in September 2009 and worked at our Bank's risk management department from September 2009 to January 2014 and served as the general manager of the risk management department of our Bank from May 2013 to January 2014, and served as the chief risk officer of the Bank from May 2011 to April 2021. Prior to joining our Bank, Mr. Zhang successively worked at the Taiyuan branch and Shanxi branch of ICBC (a company listed on the Shanghai Stock Exchange with stock code 601398, and on the Hong Kong Stock Exchange with stock code 1398) from September 1994 to August 2009.

Mr. Zhang obtained a bachelor's degree in international trade from Shanxi Economics Management College (山西經濟管理學院) (currently known as Shanxi University of Finance and Economics (山西財經大學)) in Shanxi Province, the PRC, in July 1994. Mr. Zhang is a middle level economist granted by ICBC in July 1999. For the details of the warning received by Mr. Zhang from CBIRC Shanxi Office as our chief risk officer in March 2018, please refer to the 2020 annual report of the Bank.

Non-executive Director, LI Shishan

Mr. LI Shishan (李世山), aged 57, has been a non-executive Director since June 2017.

Mr. Li has more than 36 years of experience in economic management. Mr. Li worked in Shanxi Finance Bureau for over 30 years from November 1984 to August 2016. He has been employed by Shanxi Financial Investment Holding Group Co., Ltd. (山西金融投資控股集團有限公司) and its subsidiary Shanxi Equity Exchange Center Co., Ltd. (山西股權交易中心有限公司) and was nominated by Shanxi Financial Investment Holding Group Co., Ltd. as a director of our Board in July 2016. He was the division director (處長) of economic development division I (經濟建設一處) from August 2015 to August 2016. He was the division director (處長) of the agricultural division from November 2009 to August 2015. Prior to that, Mr. Li worked in the information and internet center (信息網絡中心) from August 2005 to November 2009 as the director (主任). From August 2003 to August 2005, he served as the deputy division director (副處長) of the international matters division (國際處) and the deputy director (副主任) of the loan management office (貸款管理辦公室). Mr. Li was the deputy division director (副處長) of the external debts division (外債處) from August 2000 to August 2003. From April 1997 to August 2000, he was the deputy division director (副處長) of the foreign trade division (對外經濟貿易處). Prior to that, Mr. Li worked as a staff member, senior staff member (副主任科員), and then principal staff member (主任科員) in the industrial transportation division (工交處) of Shanxi Finance Bureau from November 1984 to April 1997.

Mr. Li graduated from Correspondence Institute of the Central Committee Party School of the CPC (中共中央黨校函授學院) through correspondence study in December 2000, majoring in politics and law. He is an accountant granted by Ministry of Finance of the PRC (中華人民共和國財政部) in October 1994.

Directors, Supervisors, Senior Management and Employees

Non-executive Director, XIANG Lijun

Mr. XIANG Lijun (相立軍), aged 45, has been a non-executive Director since August 2018.

Mr. Xiang has over 20 years of experience in accounting. He holds positions at several subsidiaries of China Huaneng Group, including the chairman of the board of directors of Huaneng Baocheng Wuhua Co., Ltd. (華能寶城物華有限公司) since January 2019, a director of Beijing Yuncheng Financial Information Services Co., Ltd. (北京雲成金融信息服務有限公司) from January 2018 to May 2019, a director of Huaneng Carbon Assets Management Co., Ltd. (華能碳資產經營有限公司) from October 2017 to April 2019, and a deputy general manager of Huaneng Capital Service Co., Ltd. (華能資本服務有限公司) from March 2016 to December 2020. Mr. Xiang has been the vice chairman of the board of directors of Huaxi Securities Co., Ltd. (華西證券股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 002926) since August 2017. Mr. Xiang worked at China Huaneng Group from July 2005 to March 2016, as an officer (幹部) of the information services center (信息服務中心) from July 2005 to November 2005, as a deputy division director (副處長) of the finance and accounting division I (財會一處), as a deputy division director (副處長) of the accounting division (會計處) and the division director (處長) of the general administration division (綜合處) from November 2005 to May 2012, as the division director (處長) of the general administration and statistics division (綜合與統計處) and the budget and general planning department (預算與綜合計劃部) from May 2012 to October 2012, and as a secretary of the secretary office of general office (辦公廳秘書處) and the division director (處長) of the general administration division (綜合處) from October 2012 to March 2016. From January 2003 to July 2005, Mr. Xiang worked as an accountant and a deputy manager for planning and finance department of Huaneng Information Industry Holding Co., Ltd. (華能信息產業控股有限公司) (“**Huaneng Information Industry**”). From July 2000 to January 2003, he was an assistant accountant (助理會計師) of the assets management department of Huaneng Comprehensive Industry Co., Ltd. (華能綜合產業有限公司). Prior to that, Mr. Xiang worked as an officer (幹部) at the corporate management department of China Huaneng Technology Development Co., Ltd. (中國華能技術開發有限公司) (currently known as Huaneng Comprehensive Industry Co., Ltd. (華能綜合產業有限公司)) (“**Huaneng Comprehensive Industry**”) from April 2000 to July 2000. Huaneng Information Industry and Huaneng Comprehensive Industry both are subsidiaries of China Huaneng Group.

Mr. Xiang obtained a bachelor's degree in accounting from Renmin University of China (中國人民大學) in Beijing, the PRC, in July 1998. He obtained a master's degree in business administration from Tsinghua University (清華大學) in Beijing, the PRC, in July 2004. Mr. Xiang is a senior accountant granted by China Huaneng Group in December 2006.

Directors, Supervisors, Senior Management and Employees

Non-executive Director, LIU Chenhang

Mr. LIU Chenhang (劉晨行), aged 57, has served as a non-executive Director since December 2019.

Mr. Liu has more than 35 years of experience in economic management. He has been serving as the general manager of Taiyuan Haixin Assets Management Co., Ltd. (太原市海信資產管理有限公司) since February 2018 and as a director of Taiyuan Haixin Public Rental Housing Real Estate Development Co., Ltd. (太原海信公租房置業發展有限公司) (currently known as Taiyuan Haixin Rental Housing Construction Management Co., Ltd. (太原市海信租賃住房建設管理有限公司)) since July 2018. Mr. Liu served as the deputy manager of Taiyuan Finance Assets Management Center (太原市財政資產管理中心) from February 2018 to December 2020, as the general manager of Taiyuan Linhaitong Technology and Innovation Corporate Management Co., Ltd. (太原林海通科創企業管理有限公司) from May 2018 to September 2019, and as the vice chairman of the board of directors of Taiyuan Shuilang Road Network Construction Co., Ltd. (太原水廊路網建設工程有限公司) from July 2018 to December 2019. Mr. Liu worked at Taiyuan Municipal Finance Bureau (太原市財政局) from August 1985 to February 2018 and served as a staff member of city construction section (城建科) from August 1985 to May 1995, as a deputy section chief (副科長) of other corporations section (其他企業科) from June 1995 to September 1998, as a deputy section chief (副科長) of city construction section from September 1998 to June 2002, as a deputy division director (副處長) of city construction division from June 2002 to March 2013, and as the office director (辦公室主任) of Taiyuan Municipal Finance Bureau from March 2013 to February 2018.

Mr. Liu completed studies at junior college level (專科) through correspondence study and graduated from Central Institute of Finance and Banking (中央財政金融學院) (currently known as Central University of Finance and Economics (中央財經大學)) in Beijing, the PRC, in July 1992, majoring in finance. Mr. Liu graduated from Shanxi University of Finance and Economics (山西財經大學) in Shanxi Province, the PRC, in July 1999, majoring in marketing (市場營銷). He is an accountant granted by Ministry of Finance of the PRC (中華人民共和國財政部) in October 1994.

Non-Executive Director, LI Yang

Mr. LI Yang (李楊), aged 35, was elected as a non-executive Director in May 2018.

Mr. Li has more than nine years of experience in corporate management. He has served as the assistant to the chairman of the board of directors of Changzhi Nanye since December 2010.

Directors, Supervisors, Senior Management and Employees

Mr. Li obtained a bachelor's degree in law from Shanxi University (山西大學) in Shanxi Province, the PRC, in July 2015. Mr. Li was previously the legal representative, managing director or supervisor of the companies shown in the table below before their respective revocation of business license or deregistration.

Name of the Company	Place of establishment	Position(s)	Status	Date of revocation of business license
Changzhi Nanye Mining Industry Co., Ltd. (長治市南燁礦業有限責任公司) ("Changzhi Nanye Mining Industry")	PRC	Legal representative and managing director	Business license revoked	April 25, 2008
Changzhi Huashengrong Mining Industry Co., Ltd. (長治市華晟榮礦業有限公司) ("Changzhi Huashengrong")	PRC	Supervisor	Dissolved and deregistered	June 30, 2012

Mr. Li confirmed that the business license of Changzhi Nanye Mining Industry was revoked due to its failure to undergo annual inspection under the relevant PRC regulations because of its unfamiliarity with the relevant laws and regulations. Mr. Li confirmed that he did not incur any debt and/or liabilities because of such revocation of business license, and that the revocation of business license did not have any negative effect on our Bank.

Mr. Li confirmed that Changzhi Huashengrong was absorbed by Shanxi Huashengrong Coal Mine Co., Ltd. (山西華晟榮煤礦有限公司) in June 2012 and the debts and obligations of Changzhi Huashengrong were all transferred to Shanxi Huashengrong Coal Mine Co., Ltd. Mr. Li confirmed that after the absorption, Changzhi Huashengrong was deregistered and it was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Bank.

Non-Executive Director, WANG Jianjun

Mr. WANG Jianjun (王建军), aged 46, has been a non-executive Director since August 2018.

Mr. Wang has over 23 years of experience in accounting. He holds positions at several subsidiaries of Lu'an Mining Industry (Group) Co., Ltd. (潞安礦業(集團)有限責任公司), including a director of Lu'an Group Finance Co., Ltd. (潞安集團財務有限公司) since August 2018, a director of Shanxi Lu'an Ruitai Investment Co., Ltd. (山西潞安瑞泰投資有限責任公司) since December 2017, and the head (部長) of the finance department (財務部) of Shanxi Lu'an Environmental-friendly Energy Development Co., Ltd. (山西潞安環保能源開發股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code: 601699) since November 2017. From March 2015 to November 2017, Mr. Wang worked at Wangzhuang pit (王莊煤礦) of Lu'an Mining Group, as the section chief (科長) of the finance section (財務科) from March 2015 to February 2017, and as the chief accountant (總會計師) from February 2017 to November 2017. He was the financial director (財務總監) of Shanxi Shouyang Luyang Ruilong Coal Industry Co., Ltd. (山西壽陽潞陽瑞龍煤業有限公司) from July 2012 to March 2015. Prior to that, Mr. Wang worked as the financial director of Shanxi Shouyang Luyang Changtai Coal Industry Co., Ltd. (山西壽陽潞陽昌泰煤業有限公司) from December 2009 to July 2012. He worked at the finance section (財務科) of Changcun pit (常村煤礦) of Lu'an Mining Group, as a staff member (科員) and then a deputy section chief (副科長) from May 1997 to December 2009.

Mr. Wang graduated from Harbin Normal University (哈爾濱師範大學) through correspondence study in Heilongjiang Province, the PRC, in July 2013, majoring in financial management (財務管理). Mr. Wang has been a member of the Chinese Institute of Certified Public Accountants since December 2009. Mr. Wang is a middle level accountant granted by the Ministry of Finance of the PRC in May 2002.

Directors, Supervisors, Senior Management and Employees

Independent Non-Executive Director, JIN Haiteng

Mr. JIN Haiteng (金海騰), aged 70, has been an independent non-executive Director since June 2017.

Mr. Jin has more than 35 years of experience in banking industry and administrative management. He has been the founder of Shanghai Rongzhidao Investment Management and Consulting Co., Ltd. (上海融至道投資管理諮詢有限公司) since November 2011. Mr. Jin has been a supervisor of Guangzhou Rongzhiyi Education Information Consulting Co., Ltd. (廣州融至益教育信息諮詢有限公司) since January 2014. From March 2005 to December 2011, Mr. Jin served as a vice president of China Guangfa Bank Co., Ltd. (“CGB”). From June 1997 to December 2007, he was the president of Hangzhou branch, CGB. From January 1990 to May 1994, Mr. Jin served as the acting president (代縣長) and then the president (縣長) of Yin County (鄞縣). Prior to that, he was the vice director (副主任) of the finance office (財辦) of Ningbo Municipal Government from February 1987 to January 1990, during which time he also served as the head (局長) of commercial bureau (商業局) of Ningbo from May 1988 to January 1990. Mr. Jin worked at the Commodities Pricing Bureau (物價局) of Ningbo from February 1981 to February 1987, as a deputy section chief (副科長) from February 1981 to June 1985, and as a deputy head (副局長) from June 1985 to February 1987.

Mr. Jin is an independent non-executive Director of the companies shown in the table below.

Name of the Company	Place of Establishment	Nature of Business	Term of Service
Beijing Xin'an Century Technology Co., Ltd. (北京信安世紀科技股份有限公司)	PRC	Technology services	November 2017 to present
Suzhou Bank Co., Ltd. (蘇州銀行股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 002966)	PRC	Banking	February 2015 to March 2020
Guangdong Wanzhang Jinshu Information and Technology Co., Ltd. (廣東萬丈金數信息技術股份有限公司)	PRC	Science studies and technology services	December 2018 to February 2021

Mr. Jin obtained a junior college level (專科) degree in basics for party and government leaders (黨政幹部基礎科) from Hangzhou University (杭州大學) in Zhejiang Province, the PRC, in June 1987.

Independent Non-Executive Director, SUN Shihu

Mr. SUN Shihu (孫試虎), aged 77, has been an independent non-executive Director since February 2017.

Directors, Supervisors, Senior Management and Employees

Mr. Sun has more than 30 years of experience in banking industry. Mr. Sun served as an independent non-executive Director of Tangshan Bank Co., Ltd. (唐山銀行股份有限公司) from August 2013 to September 2020. Mr. Sun worked at the head office of ICBC (a company listed on the Shanghai Stock Exchange with stock code 601398, and the Hong Kong Stock Exchange with stock code 1398) from April 1997 to March 2005 and served as the deputy general manager (副總經理) of the commercial credit loan department (商業信貸部) from April 1997 to April 1998, as the deputy general manager (副總經理) of the industrial and commercial credit loan department (工商信貸部) from April 1998 to July 2001, as the deputy general manager (副總經理) of the credit loan management department (信貸管理部) from July 2001 to February 2004, and as a researcher of the credit loan management department (信貸管理部) from February 2004 to March 2005. Prior to that, Mr. Sun worked at the Hubei branch of ICBC and served as the deputy division director of commercial credit loan division (商業信貸處) from July 1985 to August 1991, as the director of real estate credit loan department (房地產信貸部) from August 1991 to September 1993, as the general manager of Trust and Investment Company of Hubei Branch of ICBC (中國工商銀行湖北分行信託投資公司) from April 1992 to March 1996, as the division director (處長) of the audit division (稽核處) from March 1996 to October 1996 and as the chief economist (總經濟師) from October 1996 to April 1997.

Mr. Sun graduated from China Hubei University (中國湖北大學) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in Hubei Province, the PRC, in August 1969, majoring in statistics. He is a senior economist (經濟師) granted by ICBC in December 1987.

Independent non-executive Director, WANG Liyan

Mr. WANG Liyan (王立彥), aged 65, has been an independent non-executive Director since September 2018.

Mr. Wang has been working at Peking University for over 30 years since 1985 and consecutively served as a teaching assistant (助教), teacher (講師), associate professor and professor of accounting. Mr. Wang is a professor and Ph.D. supervisor of Accounting Faculty of Guanghua School of Management, Peking University. Mr. Wang is also the director of the Research Center for International Accounting and Finance of Peking University. Mr. Wang is the editor-in-chief of China Accounting Review (《中國會計評論》) and China Management Accounting (《中國管理會計》).

Directors, Supervisors, Senior Management and Employees

Mr. Wang is an independent non-executive director of the listed companies shown in the table below.

Name of the Company	Place of Establishment	Nature of Business	Term of Service
China Shengmu Organic Milk Ltd. (中國聖牧有機奶業有限公司), listed on the Hong Kong Stock Exchange (stock code: 1432)	Cayman Islands	Dairy industry	June 2017 to present
Unigroup Guoxin Microelectronics Co., Ltd. (紫光國芯微電子股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 002049)	PRC	Circuit chip design and development	March 2017 to present
Gettop Acoustic Co., Ltd. (共達電聲股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 002655)	PRC	Audio engineering industry	April 2018 to April 2021
Huaxin Cement Co., Ltd. (華新水泥股份有限公司), listed on the Shanghai Stock Exchange (stock code: 600801)	PRC	Cement industry	April 2015 to April 2021

Mr. Wang obtained a doctor's degree in economics from Peking University in Beijing, the PRC, in July 1992. He has been a non-practicing member of the Chinese Institute of Certified Public Accountants since April 1994.

Independent non-executive Director, DUAN Qingshan

Mr. DUAN Qingshan (段青山), aged 64, was elected as an independent non-executive Director by the Shareholders' general meeting in May 2018.

Mr. Duan has more than 20 years of experience in banking industry. He worked at the head office of China Minsheng Bank Corp., Ltd. (中國民生銀行股份有限公司) ("**China Minsheng Bank**") (a company listed on the Shanghai Stock Exchange with stock code 600016, and on the Hong Kong Stock Exchange with stock code 1988) from November 2007 to February 2017, and served as the general manager of human resources department from November 2007 to September 2012, as the chief financial director (財務總監) from April 2010 to April 2012, and as the chairman of the board of supervisors from April 2012 to January 2018. Mr. Duan worked at Taiyuan branch, China Minsheng Bank from November 1996 to November 2007, as a vice president from November 1996 to August 2000, and as the president from August 2000 to November 2007.

Mr. Duan obtained a master's degree in business administration from Wuhan University in Hubei Province, the PRC, in December 2006.

Directors, Supervisors, Senior Management and Employees

Independent non-executive Director, SAI Zhiyi

Mr. SAI Zhiyi (賽志毅), aged 53, has been an independent non-executive Director since August 2018.

Mr. Sai has over 29 years of experience in banking industry and corporate management. Mr. Sai has been the executive director of Shandong Hi-speed Group Limited (山東高速集團有限公司) since July 2020, and the chairman of the board of directors of its subsidiary Shandong Hi-speed Co., Ltd. (山東高速股份有限公司) ("**Shandong Hi-speed**", a company listed on the Shanghai Stock Exchange with stock code 600350) since July 2018.

Mr. Sai served as deputy general manager of Shandong Hi-speed Group Limited from August 2017 to July 2020. Mr. Sai worked as the vice chairman of the board of directors and the general manager of Shandong Hi-speed from June 2017 to July 2018. Prior to that, Mr. Sai worked as the vice chairman of the board of directors and the president of Weihai Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司) ("**Weihai Bank**") from May 2011 to June 2017. He was the general manager of Shandong Re-guarantee Group Co., Ltd. (山東再擔保集團有限公司) from November 2009 to June 2011. Mr. Sai served as a vice president of Weihai Bank from January 2002 to October 2009. From December 1998 to January 2002, Mr. Sai served as the president of a sub-branch of Weihai Bank. From August 1997 to December 1998, he was the director (主任) of credit loan department (信貸部) of Weihai City Cooperative Bank Co., Ltd. (威海市城市合作銀行股份有限公司) (currently known as Weihai City Commercial Bank Co., Ltd. (威海市商業銀行股份有限公司)). Mr. Sai worked for the Weihai branch of ICBC as an officer at deputy section level (副科級幹部) from February 1996 to August 1997. From November 1995 to February 1996, Mr. Sai served as the vice plant manager of Weihai Hua'ao Aluminum Windows Co., Ltd. (威海華澳鋁塑門窗有限公司). He worked at Weihai branch of ICBC and consecutively served as an accountant, an office clerk (辦事員) and an operation officer (業務主任) from January 1992 to November 1995.

Mr. Sai obtained a master's degree in management from Tongji University (同濟大學) in Shanghai, the PRC, in May 2004. He obtained a doctor's degree in management from Tongji University in Shanghai, the PRC, in June 2008. Mr. Sai is a senior economist granted by Department of Human Resources of Shandong Province (山東省人事廳) in March 2007.

Independent non-executive Director, YE Xiang

Mr. YE Xiang (葉翔), aged 58, has been an independent non-executive Director since August 2019.

Mr. Ye has nearly 20 years of experience in financial industry. He is the founder and has been the managing director (董事總經理) of Vision Gain Capital Co., Ltd. (匯信資本股份有限公司) since January 2018. From August 2001 to November 2007, Mr. Ye worked at the China affairs department (中國事務部) of the SFC, as a senior manager from August 2001 to July 2005, as an associate director from August 2005 to July 2006, and as the director from August 2006 to November 2007.

Directors, Supervisors, Senior Management and Employees

Mr. Ye is an independent non-executive director of the listed companies shown in the table below.

Name of the Company	Place of Establishment	Nature of Business	Term of Service
51 Credit Card Inc. (51信用卡有限公司), listed on the Hong Kong Stock Exchange (stock code: 2051)	Cayman Islands	Peer to peer (P2P) lending platform	July 2018 to present
Datang Environment Industry Group Co., Ltd. (大唐環境產業集團股份有限公司), listed on the Hong Kong Stock Exchange (stock code: 1272)	PRC	Development of environmental protection and energy conservation business	November 2016 to present
Wuling Motors Holdings Limited (五菱汽車集團控股有限公司), listed on the Hong Kong Stock Exchange (stock code: 0305)	Bermuda	Automobile industry	October 2008 to present
Digital China Group Co., Ltd. (神州數碼集團股份有限公司), listed on the Shenzhen Stock Exchange (stock code: 000034)	PRC	Information Technology services	June 2011 to April 2016

Mr. Ye obtained a bachelor's degree in engineering from Zhejiang University (浙江大學) in Zhejiang Province, the PRC, in July 1983. He obtained a master's degree in economics from Zhejiang University in January 1991. Mr. Ye obtained a doctor's degree in economics from Finance Research Institute of Head Office of the People's Bank of China (中國人民銀行總行金融研究所) (currently known as PBC School of Finance, Tsinghua University (清華大學五道口金融學院)) in Beijing, the PRC, in April 1995. He is a chartered financial analyst granted by CFA Institute in September 2004.

Mr. Ye was previously a director of the company shown in the table below before its deregistration.

Name of the company	Place of establishment	Position	Status	Date of revocation of business license
VisionGain Capital Partners Limited	Hong Kong	Director	Dissolved and deregistration	September 25, 2015

Mr. Ye confirmed that the company never commenced operations and its deregistration was voluntary by the resolutions of the shareholders of the company. The above company was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Bank.

Directors, Supervisors, Senior Management and Employees

2. Supervisors

The PRC Company Law requires a joint stock company to establish a board of supervisors that is responsible for supervising performance of the board of directors and senior management, its financial operations, internal control and risk management. Our Board of Supervisors consists of eight Supervisors, including three employee Supervisors, two Shareholder Supervisors and three external Supervisors. Our Supervisors are elected for a term of three years and may be subject to re-election, and the cumulative term of an external Supervisor shall not exceed six years. The certain information about our Supervisors is set out as follows.

Mr. XIE Liying (解立鷹), aged 54, has been an employee Supervisor since July 2009, the chairman of the Board of Supervisors since December 2016 and the full-time deputy secretary of the party committee and the chairman of the Board of Supervisors since December 23, 2020.

Mr. Xie has over 20 years of experience in administrative and corporate management. He has been the chief human resources officer (首席人力資源官) of our Bank since January 2014. He served as the general manager of the human resources department (人力資源部) of our Bank from May 2009 to January 2014. Mr. Xie was seconded to the preparatory team of our Bank from September 2008 to May 2009, when he worked as the deputy director (副主任) in the cadre report center (幹部舉報中心) of the organization department of the Shanxi Provincial Party Committee (山西省委組織部) from April 2006 to May 2009. Mr. Xie was a principal staff member (主任科員) in the cadre (under direct management) section (省直幹部處) of the organization department of the Shanxi Provincial Party Committee from April 2003 to April 2006. Prior to that, he worked as an officer at the expert services center (專家服務中心) of the organization department of the Shanxi Provincial Party Committee (山西省委組織部) from February 1998 to April 2003. Mr. Xie worked as the deputy director (副主任) and then the director (主任) of the office of the training center (培訓中心辦公室) of Shanxi Administration for Industry and Commerce (山西省工商行政管理局) from December 1994 to February 1998, during which period he was seconded to the expert services center (專家服務中心) of the organization department of the Shanxi Provincial Party Committee (山西省委組織部) from October 1996 to February 1998.

Mr. Xie obtained a bachelor's degree in economics from Beijing College of Finance and Commerce (北京財貿學院) in Beijing, the PRC, in July 1989.

Mr. BI Guoyu (畢國鈺), aged 57, has been a Shareholder Supervisor since February 2009.

Mr. Bi has over 30 years of experience in accounting. Mr. Bi was the head of comprehensive department of the financial center (財務中心) of Shanxi Jincheng Anthracite Coal Mining Group Co., Ltd. (山西晉城無煙煤礦業集團有限責任公司) from August 2019 to August 2020. He had been working as an accountant of the financial center of Shanxi Jincheng Anthracite Coal Mining Group Co., Ltd. since July 1986 and then a deputy manager accountant (副主任會計師) until July 2019.

Mr. Bi graduated from Hohai University (河海大學) in Jiangsu Province, the PRC, through correspondence study in July 2004, majoring in accounting. He is an accountant granted by Ministry of Finance of the PRC (中華人民共和國財政部) in October 1994.

Directors, Supervisors, Senior Management and Employees

Mr. XIA Guisuo (夏貴所), aged 59, has been a Shareholder Supervisor since May 2018.

Mr. Xia has more than 25 years of experience in accounting and financial industry. Mr. Xia has been a director of Shanxi Securities Co., Ltd. (山西證券股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 002500) since July 2018. He served as a deputy head (副部長) of finance management department (財務管理部) of Jinneng Group Co., Ltd. (晉能集團有限公司) from November 2017 to February 2020. Mr. Xia served as director of Shanxi International Electricity from April 2017 to August 2020, and served as the head (部長) of its finance department (財務部) from November 2017 to February 2020. Mr. Xia has been a director of Shanxi Top Energy Co., Ltd. (山西通寶能源股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600780) since May 2016. Mr. Xia was the manager of finance department of Shanxi International Electricity from July 2010 to November 2017, during which period he also served as the chief accountant (總會計師) at Jinneng Electricity Group Co., Ltd. (晉能電力集團有限公司) from February 2014 to March 2017, and as a director of Shanxi Zhangze Electric Power Co., Ltd. (山西漳澤電力股份有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 000767) from April 2014 to May 2016. He was a director of Beijing Jingneng Power Co., Ltd. (北京京能電力股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600578) from August 2013 to December 2017. Mr. Xia worked as the chief accountant at Shanxi International Electricity Power Distribution Management Co., Ltd. (山西國際電力配電管理有限公司) (dissolved) from February 2008 to July 2010. From November 1992 to February 2008, he worked at Shanxi Top Energy Co., Ltd. (山西通寶能源股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code 600780), as the chief accountant (主管會計) from November 1992 to November 1996, as a deputy manager of finance department from November 1996 to January 1998, as the manager of finance department from January 1998 to November 2001, as an assistant to the general manager from August 2000 to November 2001, as the chief accountant from November 2001 to February 2008, and as the deputy general manager from March 2004 to February 2008.

Mr. Xia graduated from Shanxi Finance College (山西財經學院) (currently known as Shanxi University of Finance and Economics (山西財經大學)) in Shanxi Province, the PRC, in May 1989, majoring in finance (財政). He is a senior accountant granted by Department of Human Resources of Shanxi Province (山西省人事廳) in December 2000.

Directors, Supervisors, Senior Management and Employees

Mr. Xia was previously a director of the companies shown in the table below before their respective deregistration or revocation of business license.

Name of the company	Place of establishment	Nature of business	Position	Status	Date of revocation of business license
Shanghai Tongbao Venture Investment Co., Ltd. (上海通寶創業投資有限公司)	PRC	Business service industry	Director	Dissolved and deregistered	March 31, 2006
Shanxi Tongbao Industry and Trade Co., Ltd. (山西通寶工貿有限公司)	PRC	Wholesale and retail	Director	Business license revoked	December 25, 2003

Mr. Xia confirmed that the deregistration of Shanghai Tongbao Venture Investment Co., Ltd. (上海通寶創業投資有限公司) was voluntary by the shareholders of the Company. The Company was solvent at the time of deregistration.

Mr. Xia confirmed that the business license of Shanxi Tongbao Industry and Trade Co., Ltd. (山西通寶工貿有限公司) was revoked due to its failure to undergo annual inspection under the relevant PRC regulations.

Mr. Xia confirmed that he did not incur any debt and/or liabilities because of such deregistration/revocation of business license, and that the deregistration/revocation of business license did not have any negative effect on our Bank.

Mr. WEN Qingquan (溫清泉), aged 48, has been an employees' representative Supervisor since May 2019.

Mr. Wen has over ten years of experience in banking industry. Mr. Wen has been the general manager (總經理) of the Channel Management Department (渠道管理部) of our Bank since August 2021. Mr. Wen joined our Bank in March 2011. He worked as the director (主任) of the president's office (行長辦公室) of our Bank from February 2019 to August 2021, the deputy general manager (副總經理) of the HR department (人力資源部) of our Bank from May 2015 to February 2019, during which period he also served as the deputy director (副主任) of the assessment office (考核辦公室) of our Bank from November 2016 to February 2018 and then the general manager (總經理) of the assessment training department (考核培訓部) of our Bank from February 2018 to February 2019. Mr. Wen served as the assistant to the general manager (總經理助理) of the HR department (人力資源部) of our Bank from April 2011 to May 2015. Prior to joining our Bank, Mr. Wen worked at Shanxi Elderly Cadre Bureau of Shanxi Provincial Party Committee (山西省委老幹部局) from November 2001 to March 2011 and served as a senior staff member (副主任科員) from November 2002 to October 2005, as a principal staff member (主任科員) from October 2005 to February 2009 and as an associate editor (副主編) and the vice president (副社長) of Shanxi Elderly Magazine (老年雜誌社) of Shanxi Elderly Cadre Bureau of Shanxi Provincial Party Committee from February 2009 to March 2011. Mr. Wen worked at the party school of Heshun County Party Committee (和順縣委黨校) from August 1998 to October 2000 and then worked at the organization department of Heshun County Party Committee (和順縣委組織部) from October 2000 to November 2001.

Mr. Wen obtained a bachelor's degree in economics from Shanxi Agricultural University (山西農業大學) in Shanxi Province, the PRC, in July 1998.

Directors, Supervisors, Senior Management and Employees

Mr. GUO Zhenrong (郭振榮), aged 57, has been an employees' representative Supervisor since May 2019.

Mr. Guo has more than 30 years of experience in banking industry. Mr. Guo has been the general manager of the Financial Services Guarantee Department (金融服務保障部) (Consumer Rights Protection Department) since November 2019. Mr. Guo joined our Bank in May 2009 and worked as the general manager of the No. 2 business department (業務二部) of our Bank from May 2009 to March 2011, as the president of our Linfen branch (臨汾分行) from March 2011 to January 2014, as the general manager of the personal credit assets department (個人信貸資產部) of our Bank from January 2014 to January 2017, as the general manager of the institutional development department (機構發展部) of our Bank from January 2017 to February 2019 and as the candidate of the president of our Comprehensive Reform Demonstration Zone sub-branch in Taiyuan (太原綜改示範區支行) from February 2019 to November 2019. Prior to joining our Bank, Mr. Guo worked at China Construction Bank Corporation (中國建設銀行股份有限公司) ("CCB") (a company listed on the Shanghai Stock Exchange with stock code 601939 and on the Hong Kong Stock Exchange with stock code 939) for over 20 years. He served as a cadre (幹部), a staff member (科員) and then a senior staff member (副主任科員) of the central investment division (中央投資處) of CCB Shanxi branch from July 1986 to July 1993, as a senior staff member (副主任科員) of the credit management division (信貸管理處) from July 1993 to August 1994 and as the section chief (科長) of the business audit section (業務審計科) of the inspection and review division (稽審處) of CCB Shanxi branch from August 1994 to February 1998. He then worked as the assistant to president (行長助理), the chief inspection and approval officer (總稽核) and then the deputy director (副主任) of the audit office (審計辦事處) of CCB Linfen branch from February 1998 to April 2002. Mr. Guo worked at CCB Shanxi branch as the deputy division director (副處長) of the comprehensive business division (綜合業務處) of the general audit office (總審計室) from April 2002 to June 2003 and then as the deputy general manager (副總經理) of the planning and finance department (計劃財務部) from June 2003 to June 2007. He worked as the vice president of CCB Linfen branch for nearly two years since June 2007.

Mr. Guo obtained a bachelor's degree in economics from Dongbei University of Finance & Economics (東北財經大學) in Liaoning Province, the PRC, in July 1986. Mr. Guo completed graduate studies and graduated from Beijing Technology and Business University (北京工商大學) in Beijing, the PRC in January 2004, majoring in industry economics. He further completed studies and graduated from Central Committee Party School of the CPC (中共中央黨校) in July 2006. Mr. Guo is a China Registered Senior Business Strategist certified by China Commercial Occupational Skill Testing and Instruction Center (中國商業聯合會商業職業技能鑑定指導中心) in January 2008. He is a senior economist granted by CCB in December 1998.

Mr. LIU Shoubao (劉守豹), aged 54, has been an external Supervisor since December 2015.

Mr. Liu has over 20 years of experience in law. Mr. Liu has been working as the director (主任) at Beijing P.H. Law Firm LLP (北京市普華律師事務所) since December 1996. Prior to that, he served as the director (主任) and partner at Beijing Huangdu Law Firm LLP (北京市皇都律師事務所) for about two years from December 1994. Mr. Liu once served as an officer of the International Institute (國際研究所) of CITIC Trust Investment Co., Ltd. (中國國際信託投資公司). Mr. Liu obtained a bachelor's degree in law from Jiangxi University (江西大學) (currently known as Nanchang University (南昌大學)) in Jiangxi Province, the PRC, in July 1987. He obtained a master's degree in economic law from Southwest College of Political Science and Law (西南政法學院) (currently known as Southwest University of Political Science and Law (西南政法大學)) in Chongqing, the PRC, in July 1990. Mr. Liu obtained a doctor's degree in civil and commercial law from Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) in Beijing, the PRC, in June 1993. Mr. Liu has been a practicing lawyer of the PRC since December 1995.

Directors, Supervisors, Senior Management and Employees

Mr. Liu worked as an independent non-executive director of the listed companies shown in the table below.

Name of the Company	Place of Establishment	Nature of Business	Term of Service
Beijing Capital Development Co., Ltd. (北京首都開發股份有限公司, listed on the Shanghai Stock Exchange, stock code: 600376)	PRC	Property Development and Sale	August 2010 to August 2016
China Television Media Co., Ltd. (中視傳媒股份有限公司, listed on the Shanghai Stock Exchange, stock code: 600088)	PRC	Advertisement, media and tourism	June 2010 to June 2016
Ourpalm Co., Ltd. (北京掌趣科技股份有限公司, listed on the Shenzhen Stock Exchange, stock code: 300315)	PRC	Mobile games, online games and e-sports	October 2019 to present
Three's Company Media Group Co., Ltd. (三人行傳媒集團股份有限公司, listed on the Shanghai Stock Exchange, stock code: 605168)	PRC	Advertising design and agency; advertising production; advertisement release	April 2018 to present

Mr. WU Jun (吳軍), aged 68, has been an external Supervisor since May 2018.

Mr. Wu worked at School of Banking & Finance (金融學院) of University of International Business and Economics ("SoBF") for over 25 years since 1992 and once served as deputy professor, professor, Ph.D. supervisor and dean of SoBF.

Mr. Wu was and is an independent non-executive director of the listed companies shown in the table below.

Name of the Company	Place of Establishment	Nature of Business	Role	Term of Service
Southwest Securities International Securities Ltd. (西證國際證券股份有限公司, listed on the Hong Kong Stock Exchange, stock code: 0812)	Bermuda	Financial services	Independent director	January 2015 to June 2020
Southwest Securities Co., Ltd. (西南證券股份有限公司, listed on the Shanghai Stock Exchange, stock code: 600369)	PRC	Financial services	Independent director	March 2009 to March 2017
Shaoxing Ruifeng Rural Commercial Bank Co., Ltd. (紹興瑞豐農村商業銀行股份有限公司)	PRC	Financial services	Independent director	March 2005 to March 2017
Shenxin Taifeng Group Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 000034) (the company was renamed as "Digital China Group Co., Ltd." in 2016)	PRC	Technology, telecommunications and aquaculture, etc.	Independent director	June 2008 to June 2014

Directors, Supervisors, Senior Management and Employees

Name of the Company	Place of Establishment	Nature of Business	Role	Term of Service
Shijihengtong Technology Co., Ltd. (世紀恒通科技股份有限公司)	PRC	Technology services, etc.	Independent director	March 2019 to present
Bank of Jinzhou Co., Ltd. (錦州銀行股份有限公司, listed on the main board of The Hong Kong Stock Exchange, stock code: 0416)	PRC	Financial services	Independent director	November 2019 to present
New China Asset Management Co., Ltd. (新華資產管理股份有限公司)	PRC	Insurance asset management	Independent director	March 2020 to present

Mr. Wu obtained a junior college (專科) degree in finance from the finance department, Yunnan Finance and Trade College in Yunnan Province, the PRC, in July 1981. He obtained a master's degree in finance from the Finance Research Institute of Head Office of the People's Bank of China (中國人民銀行總行金融研究所) (currently known as PBC School of Finance, Tsinghua University (清華大學五道口金融學院)) in Beijing, the PRC, in July 1987. Mr. Wu obtained a doctor's degree in finance from the Finance Research Institute of Head Office of the People's Bank of China in May 1995.

Mr. LIU Min (劉旻), aged 59, has been an external Supervisor since May 2018.

Mr. Liu has over 20 years of experience in accounting. Mr. Liu has been the responsible person of Shanxi Branch, BDO China Shu Lun Pan Certified Public Accountants LLP (立信會計師事務所) (the "BDO") since August 2008. He once served as the deputy general manager of Beijing BDO. Prior to that, he was the vice director (副所長) of Taiyuan Certified Public Accountants (太原會計師事務所) from July 1997 to December 1998, the director (所長) of Shanxi Jinyuan Certified Public Accountants (山西晉元會計師事務所) ("Shanxi Jinyuan") from January 1999 to December 2000 and the chief accountant (主任會計師) of Shanxi Tianyuan Certified Public Accountants (山西天元會計師事務所) ("Shanxi Tianyuan") from January 2001 to May 2005. Shanxi Jinyuan was established in the PRC, and it merged with Shanxi Zhongyuan Certified Public Accountants (山西中元會計師事務所) and formed Shanxi Tianyuan as approved by Shanxi Finance Bureau (山西省財政廳) in July 2000. Shanxi Tianyuan was then deregistered voluntarily by the resolutions of the shareholders of the company in July 2005. Shanxi Tianyuan was solvent at the time of deregistration, and he did not incur any debt and/or liabilities because of such deregistration, and that the deregistration did not have any negative effect on the Bank.

Mr. Liu graduated from Shijiazhuang Army Command College, China P.L.A. (中國人民解放軍石家莊陸軍指揮學院) in Hebei Province, the PRC, in July 1982, majoring in military command (軍事指揮). He passed the self-taught higher education exams of accounting at undergraduate level (會計專業本科高等教育自學考試) and was approved for graduation by Shanxi Finance College (山西財經學院) (currently known as Shanxi University of Finance and Economics (山西財經大學)) in Shanxi Province, the PRC, in December 1991. Mr. Liu has been a member of the Chinese Institute of Certified Public Accountants since October 2006. He is also a holder of the certificate of senior level of accounting granted by Department of Human Resources of Shanxi Province (山西省人事廳) in January 2003.

Directors, Supervisors, Senior Management and Employees

3. Senior Management

Mr. ZHANG Yunfei (張雲飛), aged 51, has been a vice president of the Bank since August 30, 2021.

For the biographical information of Mr. ZHANG Yunfei, see “III. Biographies of Directors, Supervisors and Senior Management – 1. Directors – Executive Director and vice chairman, ZHANG Yunfei”.

Mr. ZHAO Jiquan (趙基金), aged 48, has been a vice president of the Bank since October 2021.

Mr. Zhao has over 15 years of experience in banking industry. He served as general manager of the audit department of our Bank from April 2019 to July 2019 and as the chairman of Jinshang Consumer Finance Co., Ltd. from October 2019 to December 2021. Mr. Zhao joined our Bank in May 2009. Mr. Zhao worked as the candidate of the president (行長擬聘人選) and then the president of Linfen branch (臨汾分行) of our Bank from January 2014 to January 2015 and then as the president of Jinyang sub-branch (晉陽支行) of our Bank from January 2015 to April 2019. He worked at the audit department of our Bank from May 2009 to June 2010. He worked as the general manager of the internal control department of our Bank from June 2010 to May 2013, during which period he also served as the general manager of the audit department of our Bank from November 2011 to May 2013. He served as the general manager of the credit review department of our Bank from May 2013 to January 2014 and as the assistant to the president of our Bank from November 2019 to April 2021. Prior to joining our Bank, Mr. Zhao worked at Shanxi Provincial Agricultural Credit Cooperative (山西省農村信用社聯合社) as a vice general manager (副總經理) of the due diligence department (稽核部) from November 2005 to May 2009. He worked as a principal staff member (主任科員) of the working division of the board of supervisors (監事會工作處) of Shanxi SASAC from May 2004 to November 2005 and during this period he also once served as the chief accountant (總會計師) of Shanxi Guorui Investment Co., Ltd. (山西國瑞投資有限公司). He consecutively served as a senior staff member (副主任科員) and principal staff member (主任科員) of the working division of the board of supervisors (監事會工作處) of Shanxi Enterprises Working Committee (山西省企業工作委員會) from November 2000 to April 2004. Mr. Zhao worked as a senior staff member (副主任科員) of the finance division (財務處) of Shanxi Province Textile Union (山西省紡織總會) from May 1998 to November 2000, and served as an officer (幹部) of the finance department (財務部) of Taiyuan Heavy Machinery Group Co., Ltd. (太原重型機械集團有限公司) (a company listed on the Shenzhen Stock Exchange with stock code 600169) from July 1996 to May 1998.

Mr. Zhao earned a master's degree in engineering from Shanxi University (山西大學) in Shanxi Province, the PRC in June 2012. He obtained a bachelor's degree in economics from Lanzhou University (蘭州大學) in Gansu Province, the PRC in June 1996. Mr. Zhao has been a non-practicing member of the Chinese Institute of Certified Public Accountants since December 2001. Mr. Zhao was certified as a senior accountant by the Shanxi Senior Accountants Technical Position Evaluation Committee (山西省高級會計師技術職務評審委員會) in December 2003 and was awarded the Certificate for Chinese Registered Financial Analysts (Level II) (中國註冊金融分析師(二級)證書) by the China Enterprise Confederation (中國企業聯合會) in September 2010.

Directors, Supervisors, Senior Management and Employees

Mr. LI Yanbin (李燕斌), aged 43, has been a vice president of the Bank since January 14, 2022.

Mr. Li has more than 19 years of experience in economy. Mr. Li joined the Bank in December 2021 and worked as the general manager of the investment banking department (投資銀行部) and the asset custody department (preparatory) (資產託管部(籌)) of our Bank since January 2022. Prior to joining our Bank, he worked as the deputy director of the preparatory office of Huayuan Land Port Capital Operation Co., Ltd. (華遠陸港資本運營有限公司) from December 2020 to January 2021. He worked as the head of financial management department of Huayuan International Land Port Group Co., Ltd. (華遠國際陸港集團有限公司) from January 2021 to December 2021, during the period, he worked as the director, vice chairman and general manager of Huayuan Land Port Capital Operation Co., Ltd. (華遠陸港資本運營有限公司) from January 2021 to July 2021 and worked as the deputy secretary of the Party committee, vice chairman and general manager of Huayuan land port Capital Operation Co., Ltd. (華遠陸港資本運營有限公司) from July 2021 to December 2021. He worked as the director of asset management center of Huayuan International Land Port Group Co., Ltd. (華遠國際陸港集團有限公司) from October 2020 to December 2021. He worked as director of capital operation department and Secretary of Youth League Committee of Huayuan International Land Port Group Co., Ltd. (華遠國際陸港集團有限公司) from April 2020 to October 2020. He worked as director of the capital operation department and Secretary of the Youth League Committee of Shanxi Energy Transportation Investment Co., Ltd. (山西能源交通投資有限公司) from June 2016 to April 2020. Mr. Li worked as deputy head of capital operation Department of Shanxi Energy Transportation Investment Co., Ltd. (山西能源交通投資有限公司) from August 2015 to June 2016 (presiding over the work). Mr. Li worked as deputy head of capital operation Department of Shanxi energy transportation investment company from February 2013 to August 2015. Mr. Li worked as a director of Shanxi Enterprise Re Guarantee Co., Ltd. (山西企業再擔保有限公司) from September 2013 to December 2021, during the period, he worked as the chairman of the board of supervisors of Jinyulu Railway Transport Co., Ltd. (晉豫魯鐵路通道股份有限公司) from October 2019 to December 2021. Mr. Li joined Shanxi Energy Transportation Investment Co., Ltd. (山西能源交通投資有限公司) in September 2010. Prior to joining the Company, Mr. Li worked as the chief of the credit section of the major customer department of Shanxi branch of Bank of Communications from August 2010 to September 2010; Mr. Li worked as the customer manager of the major customer department of Shanxi branch of Bank of Communications from June 2009 to August 2010; Mr. Li worked as the customer manager of Taiyuan 51 Road branch of Bank of Communications from January 2006 to June 2009; Mr. Li worked as the customer manager of Taiyuan Xinjian South Road branch of Bank of Communications from November 2005 to January 2006; Mr. Li worked as the general secretary of the office of Taiyuan Shanxi Branch of Bank of Communications from March 2003 to November 2005; Mr. Li worked as the accountant of the business department of Bank of Communications Taiyuan branch from December 2002 to March 2003; Mr. Li worked as the accountant of Shangguanxiang Savings Office of Taiyuan Branch of Bank of Communications from August 2002 to December 2002.

Mr. Li obtained a bachelor's degree in economics/management from Shanxi University of Finance and Economics (山西財經大學) in Shanxi, the PRC in July 2002. Mr. Li obtained a master's degree in economics from Shanxi University of Finance and Economics (山西財經大學) in June 2009. Mr. Li was qualified as senior economist in August 2009.

Directors, Supervisors, Senior Management and Employees

Mr. WANG Yibin (王義斌), aged 51, has been a vice president of the Bank since January 14, 2022.

Mr. Wang has more than 28 years of experience in banking industry. He joined our Bank in May 2009. He has been the General Manager of the Bank's Retail Banking Division since April 2013 and during this period, has served as the General Manager of the Bank's Asset Management Department from July 2016 to July 2021, and worked as the General Manager of the Bank's Private Banking Division from April 2013 to January 2014. From February 2011 to April 2013, he was the General Manager of Personal Business Department and General Manager of Credit Card Department of the Bank. From November 2009 to February 2011, he served as Deputy General Manager of New Business Development Division of the Bank. From August 2009 to November 2009, he served as General Manager of Corporate Business Department No. 6 of the Bank. Prior to joining our Bank, he served as General Manager of Corporate Business Department of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) ("ICBC") Changzhi Branch from March 2008 to May 2009, worked as a president of ICBC Changzhi County Sub-branch from April 2006 to March 2008, he served as a vice president of ICBC Licheng County Sub-branch (presiding over the work) from February 2004 to April 2006. He worked as the manager of new business development center of ICBC Changzhi sub-branch from February 2003 to February 2004, he worked as a vice president of ICBC Changzhi country from September 2001 to February 2003, he served as manager of Chief Accountant of ICBC Huguan County Sub-branch from June 2000 to September 2001, Chief Accountant of ICBC Tunliu County Sub-branch from August 1998 to June 2000. From February 1997 to August 1998, he served as a section officer of the Planning & Finance Department of the ICBC Changzhi Branch, he worked as an officer and creditor of ICBC Changzhi Changbei Office from July 1994 to February 1997.

Mr. Wang graduated from Harbin Finance College in Heilongjiang Province, China in July 1994, majoring in accounting and statistics. Mr. Wang graduated from Central Radio and Television University in November 2005 through correspondence studies, majoring in law.

Mr. Wang passed the examination of Shanxi Provincial Personnel Department in June 2000 and obtained the title of economist.

Ms. HOU Xiuping (侯秀萍), aged 54, has been the chief financial officer and the general manager of the financial accounting department (財務會計部) of the Bank from October 2015 to March 2022.

Ms. Hou has more than 20 years of experience in financial accounting. She worked at the funding financial department of our Bank from January 2015 to October 2015 and served as the department's general manager from April 2015 to October 2015. Prior to joining our Bank, Ms. Hou worked as the general manager of Taigang (Tianjin) Financial Leasing Co., Ltd. (太鋼(天津)融資租賃有限公司) from April 2014 to January 2015. Ms. Hou worked as a director of Taiyuan Steel (Group) Finance Co., Ltd. (太原鋼鐵(集團)財務有限公司) and Shanxi Taigang Insurance Agency Co., Ltd. (山西太鋼保險代理有限公司) from January 2013 to April 2014. Ms. Hou worked at Taiyuan Steel as a staff member (科員) of the finance division (財務處) from July 1989 to August 1997, and as a deputy section chief (副科長) of the finance section in Qiya (駐七軋財務科) from August 1997 to June 1998. She worked at Shanxi Taigang Stainless Steel Co., Ltd. (山西太鋼不銹鋼股份有限公司) from June 1998 to June 2008, as the director (主管) of the finance and development department (計財發展部) from June 1998 to May 2004, and as an assistant to head (部長助理) of the finance and development department (計財發展部) from May 2004 to June 2008. She worked at Taiyuan Steel as a deputy head (副部長) of the accounting and finance department (計財部) from June 2008 to April 2014.

Directors, Supervisors, Senior Management and Employees

Ms. Hou obtained a bachelor's degree in economics from Nankai University (南開大學) in Tianjin, the PRC in July 1989. Ms. Hou obtained a master's degree in business administration from Renmin University of China (中國人民大學) in Beijing, the PRC in July 2000. Ms. Hou is a senior accountant granted by Department of Human Resources of Shanxi Province (山西省人事廳) in December 2001.

Mr. WEN Gensheng (溫根生), aged 56, has been the chief human resources officer of the Bank since December 2016.

Mr. Wen has more than 20 years of experience in administrative management. Mr. Wen joined our Bank in November 2016. He worked as the general manager (總經理) of the human resources department (人力資源部) and the head (部長) of the organization department of the party committee (黨委組織部) since November 2016. Prior to joining our Bank, Mr. Wen worked as a deputy division director (副處長) and researcher (調研員) of the cadre section II (幹部二處) of the organization department of Shanxi Provincial Party Committee (山西省委組織部) from July 2015 to November 2016. Mr. Wen worked as a deputy division director (副處長) and researcher (調研員) of local cadre section (地方幹部處) of the organization department of Shanxi Provincial Party Committee (山西省委組織部) from October 2010 to July 2015. Mr. Wen worked as a principal staff member (主任科員) and a deputy researcher (副調研員) of the organization guide section (組織指導處) of the organization department of Shanxi Provincial Party Committee (山西省委組織部) from July 2003 to October 2010. Mr. Wen worked as a principal staff member (主任科員) of fundamental politics section (基政處) and personnel education section (人事教育處) of Shanxi Civil Affairs Bureau (山西省民政廳) from January 1997 to July 2003.

Mr. Wen graduated from Taiyuan Normal College (太原師範專科學校) in Shanxi Province, the PRC, majoring in geography, in July 1985. Mr. Wen graduated from the Correspondence Institute of the Central Communist Party School of the CPC (中央黨校函授學院) through correspondence study in December 1996, majoring in economics management.

Mr. LI Weiqiang (李為強), aged 57, has been working as secretary of the Board of Directors since December 2019 and as joint company secretary of the Bank since September 2020.

Mr. Li has more than 30 years of experience in banking industry. Mr. Li has successively served as the director of the party committee office (黨委辦公室), director (head) of the party committee office (publicity department of the party committee) (黨委辦公室(黨委宣傳部)) and the head of the work department of the party committee of the Bank since February 2019. Mr. Li has been the director (主任) of the Board's office (董事會辦公室) of our Bank since March 2019, and was the director (主任) of the president's office (行長辦公室) of our Bank from February 2012 to March 2019. He served as an employees' representative Supervisor from January 2016 to May 2019. From March 2011 to February 2012, he was also the director (主任) of the assessment office (考核辦公室) of our Bank. He served for ABC before joining our Bank. From January 2007 to July 2011, he was the director (處長) of credit management division (信貸管理處) in ABC Shanxi branch. From December 2003 to January 2007, Mr. Li was the deputy director and then the director of the party committee office (黨委辦公室) of ABC Shanxi branch. Mr. Li was a vice president (副行長) of ABC Yangquan sub-branch from October 1998 to December 2003. He was the office director of ABC Yangquan sub-branch from January 1997 to October 1998. Before that, he worked as a vice president of ABC Yangquan suburban district sub-branch from November 1995 to January 1997. Mr. Li served as the office staff member (辦公室科員) and then the deputy director (副主任) of ABC Yangquan branch from July 1988 to November 1995.

Mr. Li obtained a bachelor's degree from Hebei Finance College (河北財經學院) (currently known as Hebei University of Economics and Business (河北經貿大學) in Hebei Province, the PRC, in July 1988, majoring in rural finance (農村金融). He is a senior economist (高級經濟師) granted by ABC in December 2001.

Directors, Supervisors, Senior Management and Employees

Mr. NIU Jun (牛俊), aged 58, has been the chief operation officer of the Bank from January 2020 to March 2022.

Mr. Niu has over 30 years of experience in banking industry. Mr. Niu joined the Bank in January 2013 and worked as the general manager of the operation management department(運營管理部) of our Bank from June 2020 to March 2022. Mr. Niu worked as the president of Longcheng sub-branch (太原龍城支行) of our Bank from February 2018 to April 2019. He has been the president of Lvliang branch (呂梁分行) of our Bank since April 2019 to May 2020. He consecutively served as the leader of the preparatory group (籌備組) of Xinzhou branch (忻州分行) of our Bank from January 2013 to August 2013 and as a vice president and then the president of Xinzhou branch (忻州分行) of our Bank from August 2013 to February 2018. Prior to joining our Bank, Mr. Niu worked at ABC (a company listed on the Shanghai Stock Exchange with stock code 601288, and on the Hong Kong Stock Exchange with stock code 1288) for approximately 20 years. He was appointed as the president of ABC Dai County sub-branch (代縣支行) in January 2008. He worked as a vice president and then the president of ABC Yuanping sub-branch (原平市支行) from July 2003 to January 2008. He served as a vice president of ABC Dai County sub-branch (代縣支行) from January 1999 to July 2003. Mr. Niu served as the deputy director (副主任) and then the director (主任) of Xingao business office (新高營業所) of ABC Dai County sub-branch (代縣支行) from September 1988 to January 1999.

Mr. Niu completed junior college level (專科) studies and graduated from Renmin University of China (中國人民大學) in Beijing, the PRC in 1994, majoring in administrative management. Mr. Niu graduated from Shanxi University (山西大學) in Shanxi Province, the PRC in December 2001, majoring in administrative management.

Mr. SHANGGUAN Yujiang (上官玉將), aged 49, has been serving as assistant to the president of the Bank since December 2019.

Mr. Shangguan has about 25 years of experience in banking industry. He has been the secretary to the party committee of Jinshang Consumer Finance Co., Ltd. (晉商消費金融股份有限公司) since December 2021 and the general manager of energy division of the Bank from March 2019 to July 2021, and was the president of Bingzhou branch (並州支行) of our Bank from January 2018 to February 2019 to July 2021. He served as an employees' representative Supervisor from June 2018 to May 2019 to July 2021. From October 2012 to January 2018, Mr. Shangguan worked at Changzhi branch (長治分行) of our Bank, as the leader of the preparatory team from October 2012 to August 2013, as a vice president from August 2013 to April 2015, and as the president from April 2015 to January 2018. Prior to joining our Bank, Mr. Shangguan worked for China Bohai Bank Co., Ltd. (渤海銀行股份有限公司) ("**Bohai Bank**") from December 2007 to October 2012, as an account manager (客戶經理) of the corporate business department (公司業務部) at Beijing branch, Bohai Bank from December 2007 to October 2008, as an account manager at Weigongcun branch (魏公村支行), Bohai Bank from October 2008 to November 2009, as the deputy general manager of the risk management department and the corporate business management department (公司業務管理部) at Beijing branch, Bohai Bank from November 2009 to October 2012. He was the president of rural area sub-branch (郊區支行), Changzhi City Commercial Bank Co., Ltd. (長治市商業銀行股份有限公司) ("**Changzhi City Commercial Bank**") from August 2007 to December 2007. From October 2006 to August 2007, Mr. Shangguan worked as the president of Taixi sub-branch (太西支行), Changzhi City Commercial Bank. Mr. Shangguan worked as an assistant to the director (主任助理) of Changzhi City Yingxiong Road Urban Credit Cooperative (長治市英雄路城市信用社) from March 2001 to March 2003. He served as an assistant to the director (主任助理) of Square Urban Credit Cooperative (廣場城市信用社) from September 1999 to March 2001. He worked at Taihang Road Urban Credit Cooperative (太行路城市信用社) from August 1995 to August 1999 and consecutively served as accounting section chief (會計科長), the director of operation office (營業室主任) and an assistance to the director (主任助理).

Directors, Supervisors, Senior Management and Employees

Mr. Shangguan completed studies at junior college level (專科) through correspondence study and graduated from Shanxi University of Finance and Economics (山西財經大學) in Shanxi Province, the PRC, in July 1999, majoring in accounting. He graduated from Beijing Institute of Technology (北京理工大學) in Beijing, the PRC, in July 2007, majoring in business administration. Mr. Shangguan obtained a master's degree in business administration from Xiamen University (廈門大學) in Fujian Province, the PRC, in September 2018. He is a middle level economist granted by Ministry of Human Resources of the PRC (中華人民共和國人事部) in November 2000.

Ms. LI Wenli (李文莉), aged 52, was appointed as the chief audit officer by the Board of Directors since March 2021.

Ms. Li has over 30 years of experience in banking industry. She joined our Bank in February 2009 and has been the general manager of the audit department of our Bank since July 2019. She served as the secretary to the party committee of Jinshang Consumer Finance Co., Ltd. (晉商消費金融股份有限公司) from October 2018 to July 2019. She served as the general manager of the audit department of our Bank from July 2014 to October 2018, as the general manager of the internal control department (內控合規部) of our Bank from January 2014 to January 2017, as the deputy general manager and the general manager of the financial market department of our Bank from September 2011 to January 2014 successively, and as the director of the clearing center (票據中心) of our Bank from June 2011 to September 2011. She consecutively served as the vice president of Jingangli sub-branch (金剛里支行) under Jinyang sub-branch (晉陽支行) and vice president of Jinyang sub-branch of our Bank from February 2009 to July 2011. She worked at Taiyuan City Commercial Bank Co., Ltd. from October 1998 to February 2009, and served as vice president and president of Xinghua Street sub-branch (興華街支行) from July 2000 to February 2009 successively.

Ms. Li graduated from master of business administration of Inner Mongolia University of Technology (內蒙古工業大學), and obtained a master's degree in business administration in June 2007. Ms. Li is a senior auditor granted by the Department of Human Resource and Social Security of Shanxi Province (山西省人力資源和社會保障廳) in November 2019.

IV. CONFIRMATION OF THE INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received the annual independence confirmation letter from each of the independent non-executive Directors and believes that all independent non-executive Directors are independent according to the relevant guidelines contained in Rule 3.13 of the Hong Kong Listing Rules.

V. INFORMATION ON REMUNERATION PAID TO DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the total amount of the remuneration of Directors and Supervisors during the Reporting Period, please refer to Note 9 to the financial statements. For the year ended December 31, 2021, no emolument was paid by the Bank to any of the Directors, Supervisors or the five highest paid individuals (including Directors, Supervisors and employees) as an inducement to join or upon joining the Bank or as compensation for loss of office.

Directors, Supervisors, Senior Management and Employees

For the year ended December 31, 2021, the remuneration of senior management by remuneration band is set out as follows :

Remuneration band	Number of people
RMB1,000,000 or less	3
RMB1,000,001 to RMB1,500,000	6

VI. NUMBER OF EMPLOYEES AND TRAINING PROGRAMS

As of December 31, 2021, the total number of employees of the Group reached 4,424, of which 31.49% were employees aged 30 and below, and 86.32% were employees with bachelor's degree or above. Excellent age distribution and professional talent team can help cultivate a positive and innovative corporate culture and strengthen the ability to respond sensitively to market changes and seize market opportunities. As of December 31, 2021, the Bank had 345 employees qualified for AFP certification; 44 had CFP certificates.

The Bank earnestly implemented the national vocational skills improvement action plan, closely focused on financial hotspots and trend of domestic and international markets and the bank's management and development strategy. According to the training concept of "party building leading, close to business, pragmatic and efficient, and service operation", and based on the working idea of "systematic design, project promotion, practical assessment, and market-oriented operation", we formulated and decomposed the annual training plan, and organized and carried out various types of training. The annual training work was aimed at providing strong talent support and intellectual guarantee for the long-term development of the Bank. It has been carried out practically from the three dimensions of focusing on capacity building, improving the training system and strengthening the training management mechanism building. During the Reporting Period, the Bank consolidated the three level training resources at its headquarters, branches and sub-branches, adhered to the principle of combining internal training with external training, and complemented each other online and offline, and carried out all-round and multi-dimensional training work for the Bank's employees focusing on front-line business operations, new products business promotion, customer marketing management, and case study of internal control compliance.

VII. REMUNERATION POLICIES

The Structure and Decision Process of Remuneration Management

The Bank has established a more scientific and reasonable organizational structure for remuneration management and has set up a nomination remuneration and human resources committee at the board of directors' level, which is responsible to the board of directors. Important allocation system or major matters involving remuneration management shall be submitted to the Nomination Remuneration and Human Resources Committee of the Board of Directors for consideration and the Board of Directors for resolution, and major proposals involving remuneration allocation shall be voted on and approved by the shareholders' general meeting or reported to the relevant competent authorities for approval and filing procedures.

Directors, Supervisors, Senior Management and Employees

Remuneration policy

The Bank has clearly regulated the remuneration policy for directors, supervisors and senior management, and has continuously improved the performance appraisal system and incentive and restraint mechanism for directors, supervisors and senior management. The remuneration of the Bank's directors, supervisors and senior management personnel who are included in the remuneration management of the heads of state-owned enterprises in Shanxi Province shall be implemented in accordance with the Interim Measures for the Remuneration Management of the Heads of State-owned Local Financial Enterprises in Shanxi Province; the remuneration of the non-executive directors (including independent non-executive directors), shareholders' representative supervisors and external supervisors is determined by the shareholders' general meeting; the remuneration of other employees is implemented according to the measures for the remuneration management formulated by the Bank. The remuneration of employees consists of fixed remuneration, variable remuneration and subsidies and allowances.

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

The standard between remuneration, result measurement and risk adjustment

The Bank has established the remuneration management mechanism linked with performance and risk, and fully implemented the Measures for the Management of Total Wages of Provincial Financial Enterprises, with annual remuneration directly linked to economic efficiency, labor productivity and performance evaluation scores of provincial enterprises. The payment of the Bank's performance bonus is linked with the result of performance appraisal. Performance appraisal is conducted from five dimensions: compliance operation, risk management, core management, strategic transformation and service efficiency, based on annual goal of operation management and strategic transformation. The appraisal indicators of the Bank include, but not limited to, total assets, net profit, pre-provision operating profit, operating income, return on net assets, preservation and appreciation rate of state-owned assets, NPL ratio, provision coverage ratio and development of inclusive finance business. To meet the requirements of regulatory authorities and ensure the quality of the Bank's assets, the Bank has strengthened efforts for appraisal in compliance operation and risk management, and made evaluation on regulatory penalties, case prevention and control, operational risks, rectification rate of audit issues and risk control factors.

Deferment of remuneration and non-cash remuneration

The Bank actively implemented the risk responsibility and strictly enforced the system of deferred payment and recourse to withholding of performance remuneration for senior management and key positions, which is generally implemented in accordance with 40% of performance remuneration and the deferred payment period is not less than 3 years, among which the proportion of deferred payment of performance remuneration for key senior management personnel reaches 50%. In 2021, the Bank took the initiative to implement the Supervisory Guidelines on Sound Compensation in Commercial Banks and other relevant guidelines and systems and measures, stopped, recovered and deducted the payment of performance remuneration of corresponding personnel according to the degree of severity in the event of violation of regulations and disciplines or abnormal risk exposure within the scope of duties; during the Reporting Period, the Bank didn't implement non-cash remuneration.

Directors, Supervisors, Senior Management and Employees

Remuneration of the employees in positions that have important influence on the Bank's risk

The Bank has a total of 1,076 employees in positions such as management staff of the branches/subbranches, the main person in charge of the front and middle office of the head office and branches, and independent reviewer that have important influence on risk. The total remuneration in 2021 was RMB277.99 million, among which the basic salary was RMB63.81 million, with 40% of performance-based remuneration was paid in arrears, and the deferred payment period was not less than 3 years, which was in compliance with the regulatory requirements.

The formulation and filing of annual remuneration plan, and completion assessment of economic, risk and social responsibility indicators

The formulation and filing of the remuneration plan are managed by the Shanxi Provincial Department of Finance for annual coordination; the economic, risk and social responsibility indicators involved are comprehensively assessed by the Shanxi Provincial Department of Finance in accordance with the Performance Evaluation Measures of Provincial Enterprises in terms of basic work, industry benchmarking and target responsibility, etc.

The Bank's return on net assets, return on total assets, cost-to-income ratio, operating income and net profit all met the performance appraisal targets set by the Board of Directors for 2021; the Bank's capital adequacy ratio, provision coverage ratio, NPL ratio and leverage ratio all met the appraisal requirements.

The exception of exceeding the original remuneration plan

During the Reporting Period, no exception exceeds the original remuneration plan in our Bank.

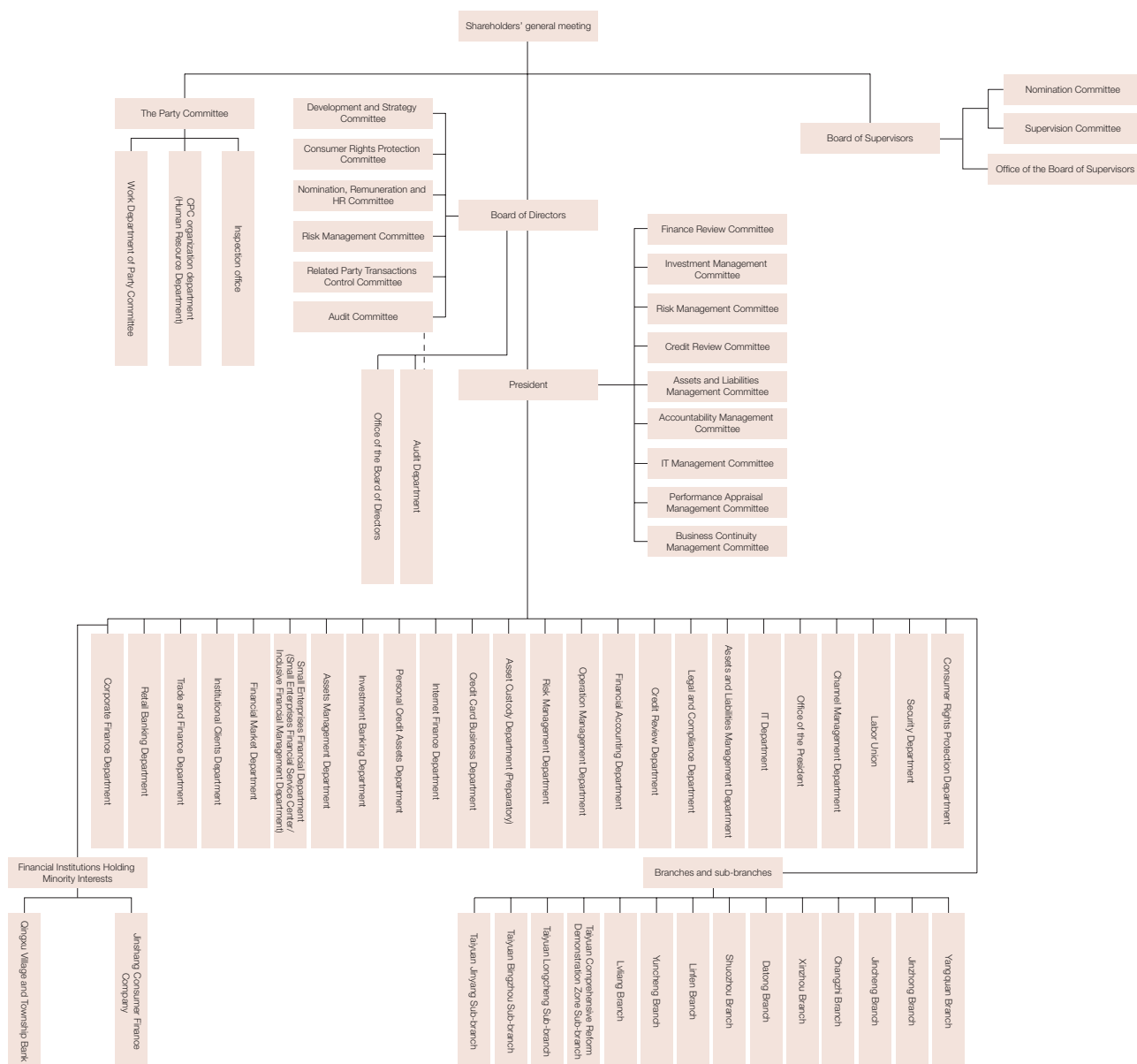
Please refer to Note 8 to the financial statements for the total amount and composition of employee compensation and benefits expenses of the Bank for 2021; please refer to Note 9 to the financial statements for details of the remuneration of Directors and Supervisors; please refer to above V. Information on Remuneration Paid to Directors, Supervisors and Senior Management for details of the remuneration of senior management.

VIII. SHARE INCENTIVE PLAN

During the Reporting Period, the Bank did not implement any share incentive plan.

Corporate Governance Report

ORGANIZATIONAL STRUCTURE FOR CORPORATE GOVERNANCE



Corporate Governance Report

I. CORPORATE GOVERNANCE CODE

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

Our Bank has established a relatively comprehensive corporate governance structure in accordance with the requirements of the Hong Kong Listing Rules. The compositions of the Board of Directors and the special committees under the Board of Directors are in compliance with the requirements of the Hong Kong Listing Rules. The Bank clearly divides the duties of the shareholders' general meeting, the Board of Directors, the Board of Supervisors and the senior management. The shareholders' general meeting is the supreme authority of the Bank. The Board of Directors is accountable to the shareholders' general meeting. The Board of Directors has established six special committees, which operate under the leadership of the Board of Directors and advise on the decisions of the Board. The Board of Supervisors is responsible for supervising the performance of duties by the Board of Directors and the senior management as well as the financial activities, risk management and internal control of the Bank. Under the leadership of the Board of Directors, the senior management is responsible for executing the resolutions of the Board and for the day-to-day business and management of the Bank, and reports to the Board of Directors and the Board of Supervisors on a regular basis. The president of the Bank is appointed by the Board of Directors to be responsible for the overall business operation and management of the Bank.

The Bank has adopted the Corporate Governance Code (the "Code") in Appendix 14 to the Listing Rules, and has also met the requirements of the administrative measures and corporate governance for domestic commercial banks and established a good corporate governance system. During the Reporting Period, the Bank has observed all applicable code provisions set forth in Appendix 14 to the Listing Rules.

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

Shareholders' general meeting

During the Reporting Period, the Bank held two shareholders' general meetings in total, namely, considered and approved the work Report of the Board of Directors for 2020, the work Report of the Board of Supervisors for 2020, the Profit Distribution Plan for 2020, the Report of Final Financial Accounts for 2020, the Financial Budget for 2021, the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Directors during 2020, the Report of the Board of Supervisors on Assessment on the Performance of Duties by Supervisors during 2020, the Report of the Board of Supervisors on Supervision and Assessment on the Performance of Duties by Senior Management during 2020, the Determination of the write-off Amount for Non-Performing Loans and Bad Debts for 2021, the Amendments to the Administrative Measures on Write-off of Bad Debts, the appointment of auditors to audit financial statements for 2021, the appointment of Ms. HAO Qiang as the executive Director of the Bank, the appointment of Mr. ZHANG Yunfei as the executive Director of the Bank, the Issuance of financial bonds and the Issuance of non-fixed term capital bonds on June 10, 2021, and considered and approved the New Huaneng Framework Agreement entered into between the Bank and Huaneng Capital, the transactions proposed thereunder and annual caps for the three years ending December 31, 2022, 2023 and 2024, the New SSCO Framework Agreement entered into between the Bank and SSCO, the transactions proposed thereunder and annual caps for the three years ending December 31, 2022, 2023 and 2024, the Determination and Amendment of the write-off Amount for Non-Performing Loans and Bad Debts for 2021, the Determination of the write-off Amount for Non-Performing Loans and Bad Debts for 2022, the Proposed Amendments to the Rules of Procedures for the shareholders' general meeting, the Proposed Amendments to the Rules of Procedures for the Board of Directors, the Proposed Amendments to the Rules of Procedures for the Board of Supervisors, the Proposed Amendments to the Definition of Extremely Important Matters and Important Matters, the Proposed Issuance of special financial bonds for loans to small and micro enterprises, and the Proposed Amendments to the Articles of Association on December 16, 2021.

Corporate Governance Report

The notification, convening and voting procedures of the above shareholders' general meetings are all in compliance with the relevant provisions of the PRC Company Law and the Articles of Association.

Functions and powers of the shareholders' general meeting

Shareholders' general meeting is the organ of authority of our Bank. Its principal responsibilities include:

- determining the operation strategies and particularly significant investment plans of the Bank;
- electing and replacing directors and determining the remuneration of relevant directors;
- electing and replacing non-employee representative supervisors and determining the remuneration of relevant supervisors;
- reviewing and approving the reports of the Board of Directors;
- reviewing and approving the reports of the Board of Supervisors;
- listening to the evaluations of the Board of Directors on the directors and the evaluation reports by independent directors on each other;
- listening to the evaluations of the Board of Supervisors on supervisors and the evaluation reports by external supervisors on each other;
- reviewing and approving the annual financial budget plans and final accounting plans of the Bank;
- reviewing and approving the profit distribution plans and loss recovery plans of the Bank;
- reviewing and approving the Bank's particularly significant foreign investments, assets purchase and disposal, external guarantees and related party transactions;
- determining the increase or decrease in the registered capital of the Bank;
- determining the issuance of bonds or the listing of the Bank;
- determining the merger, spin-offs, dissolution and liquidation or change of corporate form of the Bank;
- amending the Articles of Association;
- determining the appointment, dismissal or non-reappointment of the accounting firm of the Bank;
- reviewing the purchase or disposal of major assets by the Bank within one year with the transaction amount exceeding 30% of the latest audited total assets of the Bank;
- reviewing and approving the changes in the use of proceeds;
- reviewing the share incentive plans;
- reviewing the proposals by shareholders individually or in aggregate holding 3% or more of the voting shares of the Bank; and

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- reviewing and approving other issues which should be determined by the Shareholders' general meeting as stipulated by laws, administrative regulations, rules, rules governing securities of the place where shares of the Bank are listed and the Articles of Association.

Meetings of the Board of Directors and special committees

The Board shall hold at least four regular meetings annually, and arrange other meetings if necessary. Board meetings shall be held onsite or by means of teleconference. The Board of Directors shall send a meeting notice to all Directors in advance and timely provide all Directors with sufficient information (including background information about the proposals submitted and other information necessary for the Directors to make informed decisions). The notice of a regular Board meeting shall be given to all Directors at least 14 days before the date of the meeting, and the notices of all other Board meetings shall be given to all Directors five days before the date of the meetings. A good communication and reporting mechanism has been established among the Directors, Board of Directors and senior management. All Directors may seek independent professional opinions at the expense of the Bank. Our president reports to the Board on a regular basis and accepts the supervision thereof. At the Board meetings, All Directors may freely express their opinions, but important decisions shall be subject to detailed discussion.

During the Reporting Period, the Board of Directors held seven meetings, at which 65 resolutions were considered and adopted. The special committees under the Board of Directors held 24 meetings, including three meetings of the Development and Strategy Committee, six meetings of the Audit Committee, three meetings of the Related Party Transactions Control Committee, and six meetings of the Risk Management Committee, three meetings of the Nomination, Remuneration and HR Committee and three meeting of the Consumer Rights Protection Committee, at which 56 resolutions were considered and adopted.

The Board of Directors shall have a board office as its daily administrative body responsible for preparing shareholders' general meetings, Board meetings and meetings of various special committees under the Board and for handling other tasks assigned by the same. The Board of Directors and senior management exercise their respective powers within their terms of reference as specified in the Articles of Association. Directors who have significant interests in a proposal must waive their right to discuss and vote on the proposal and shall not be included in the quorum of the proposal. The Board of Directors has reviewed the effectiveness of the Bank's risk management and internal control system (covering finance, operation and compliance control). The risk management and internal control system is reviewed twice every year (for the period from January 1, 2021 to December 31, 2021). The Bank believes that relevant review is sufficient and effective.

The Board believes that the risk management and internal control system established and implemented by the Bank is sufficient and effective.

For details about the internal audit of the Bank, please refer to "Risk Management and Internal Control – Internal Audit" of this annual report.

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Composition of the Board of Directors

As of the date of this annual report, the Board of Directors of the Bank comprises 13 Directors, including two executive Directors, namely Ms. HAO Qiang (Chairwoman), Mr. ZHANG Yunfei (Vice Chairman); five non-executive Directors, namely Mr. LI Shishan, Mr. XIANG Lijun, Mr. LIU Chenhang, Mr. LI Yang and Mr. WANG Jianjun; and six independent non-executive Directors, namely Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan, Mr. DUAN Qingshan, Mr. SAI Zhiyi and Mr. YE Xiang. The term of office of the Directors is three years. On January 20, 2021, due to retirement, Mr. WANG Peiming resigned as an executive Director and a member of the Related Party Transactions Control Committee of the Board of Directors of the Bank. This resignation took effect from January 20, 2021. For details, please refer to the announcement entitled “Resignation of Executive Director” issued by the Bank on January 20, 2021. On April 26, 2021, due to work re-arrangement, Mr. WANG Junbiao resigned as an executive Director, the chairman of the Board, the chairperson and a member of the Development and Strategy Committee of the Board, and a member of the Nomination, Remuneration and HR Committee of the Board of the Bank. This resignation took effect from April 26, 2021. For details, please refer to the announcement entitled “Resignation of Executive Director and Chairman” issued by the Bank on April 26, 2021. On April 30, 2021, the Board of Directors considered and approved the proposed appointment of Ms. HAO Qiang as an executive Director of the Bank and Mr. ZHANG Yunfei as an executive Director and Vice President (acting on behalf of the President of the Bank) of the Bank. On June 10, 2021, the Bank’s 2020 Annual General Meeting approved the appointment of Ms. HAO Qiang and Mr. ZHANG Yunfei as executive Directors. and Ms. HAO Qiang was elected as Chairwoman and Mr. ZHANG Yunfei was elected as Vice Chairman by the Board of Directors. For details, please refer to the announcement entitled “Proposed Appointment of Executive Directors” issued by the Bank on April 30, 2021 and the announcement entitled “(i) Poll Results of the 2020 Annual General Meeting held on June 10, 2021 (Thursday); (ii) Appointment of Executive Directors; (iii) Election of Chairwoman and Vice Chairman; (iv) Change of Board Committee Members; and (v) Resignation of Shareholders’ Representative Supervisor” issued by the Bank on June 10, 2021. On July 16, 2021, Ms. HAO Qiang obtained the approval from the CBIRC Shanxi Office for the qualifications of Director and Chairwoman. For details, please refer to the announcement entitled “Announcement on Approval of the Qualification as Director and Chairwoman by the Regulatory Authority” issued by the Bank on July 19, 2021. On August 30, 2021, Mr. ZHANG Yunfei obtained approval from the CBIRC Shanxi Office for the qualifications of Director and Vice Chairman. For details, please refer to the announcement entitled “Announcement on Approval of the Qualifications as Director, Vice Chairman and Vice President by the Regulatory Authority” issued by the Bank on August 31, 2021. On September 1, 2021, the Bank completed the change of business registration of the legal representative. The membership and composition of the Bank’s Board of Directors are in compliance with applicable laws and regulations.

Please refer to the section headed “Directors, Supervisors, Senior Management and Employees” of this annual report for the resumes and terms of office of Directors. None of the members of the Board is connected with other members.

Changes in Board members during the Reporting Period

For details of the changes in Directors of the Bank, see “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management during the Reporting Period” in this annual report.

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Functions and powers of the Board of Directors

The Board of Directors shall be accountable to the shareholders' general meeting, undertake final responsibility of operation and management of the Bank, and exercise the following functions and powers in accordance with law:

- to convene shareholders' general meetings, report its performance at the shareholders' general meetings, and implement resolutions of the shareholders' general meetings;
- to decide on development strategies, operational plans and investment programs of the Bank;
- to formulate annual financial budget plans, final accounting plans, and risk capital allocation plan of the Bank;
- to formulate profit distribution plans and loss recovery plans of the Bank;
- to formulate proposals for increases in or reductions of registered capital, issuance of bonds or other securities and listing plans of the Bank;
- to formulate proposals for repurchase of the Bank's shares;
- to formulate plans for merger, spin-offs, dissolution, or change of corporate form of the Bank;
- to formulate proposals for any amendment to the Articles of Association;
- to formulate the basic management system of the Bank;
- to formulate and execute clear responsibility system and accountability system, and to assess and complete corporate governance of the Bank regularly;
- to decide asset and liability management (including but not limited to capital requirement), risk tolerability, risk management, and internal control policy of the Bank;
- to formulate capital planning, and undertake final responsibility of capital management;
- to formulate related party transaction management system, to examine and approve or accredit Related Party Transactions Control Committee to approve related party transactions;
- to examine and approve annual work report of the Bank;
- to decide long-term award plan, remuneration packages and salary plan of the Bank;
- to approve internal audit plan, annual work plan and audit budget of the Bank;
- to examine and approve proposals raised by each special committee of the Board of Directors;
- to decide the Bank's significant foreign investments, assets purchase and disposal, external guarantees, trust management and related party transactions, as well as large loans; to initially examine the Bank's particularly significant foreign investments, assets purchase and disposal, external guarantees, trust management and related party transactions, and submit them to the shareholders' general meeting for approval;

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- to appoint or dismiss the president, the secretary to the Board, chief audit (compliance) officer and the person in charge of the audit department as nominated by the chairman; to appoint or dismiss the vice president, assistant to the president, chief finance officer, chief risk officer, chief operation officer, chief technology information officer, chief human resources officer, chief data officer, and marketing director, etc. as nominated by the president; and to decide remunerations, awards and punishments of the aforesaid persons;
- to authorize certain operation and management power to the president annually, and to review working reports of the president and to examine the performance of the president;
- to decide chairperson and members of each special committee of the Board as nominated by the Nomination, Remuneration and HR Committee;
- to decide on the establishment of internal management structure of the Bank and establishment of branches of the Bank;
- to propose to the shareholders' general meeting the engagement, dismissal or discontinuation of the appointment of the accounting firm auditing the Bank, and to give explanation to the shareholders' general meeting on the non-standard audit opinions of certified public accountant on our financial report;
- to disclose information of the Bank and take ultimate responsibility for the authenticity, completeness, accuracy, and timeliness of our accounting and financial reports;
- to regularly debrief the internal audit department and compliance department's report on internal audit and examination result, and regulatory opinions of relevant regulatory authorities on the Bank, and to examine the Bank's rectification report on executing regulatory opinions; to regularly assess operation status of the Bank, comprehensively evaluate performance of senior management personnel according to assessment result, and to supervise and ensure effective management performance of senior management;
- to safeguard legal interests of depositors and other stakeholders;
- to establish an identification, investigation and management mechanism for the conflict of interest between the Bank and shareholders, especially substantial shareholders; and
- to exercise any other functions and powers prescribed by the laws, administrative regulations, and the Articles of Association and authorized by the shareholders' general meetings.

Directors' responsibility for preparing financial statements

Directors confirm that they shall be responsible for preparing the financial statements for the year ended December 31, 2021 that truly and fairly reflect the affairs and results of the Bank. When preparing financial statements, Directors select and implement appropriate accounting policies and make use of accounting estimates applicable to relevant circumstances. Under the assistance of accounting and financial personnel, Directors ensure that the Bank prepares financial statements in accordance with statutory provisions and applicable financial reporting standards. Reporting obligation statements of the external auditors on the Group's financial statements are set out in the independent auditors' report on pages 159 to 165.

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Board meetings and Directors' attendances at the meetings

During the Reporting Period, the Bank convened a total of 7 Board meetings, and deliberated and approved 65 proposals, which mainly involved topics including profit distribution plan, and batch disposal of non-performing loans in package. Apart from regular Board meetings, the Chairman also held a meeting with the independent non-executive Directors without the presence of the executive Directors during the year. Details of the Board meetings convened during the Reporting Period are as follows:

Meeting	Meeting date	Meeting form
The 17th meeting of the fifth session of the Board of Directors	February 24, 2021	Onsite and by means of teleconference
The 18th meeting of the fifth session of the Board of Directors	March 26, 2021	Onsite and by means of teleconference
The 19th meeting of the fifth session of the Board of Directors	April 30, 2021	Onsite and by means of teleconference
The 20th meeting of the fifth session of the Board of Directors	June 10, 2021	Onsite and by means of teleconference
The 21st meeting of the fifth session of the Board of Directors	August 27, 2021	Onsite and by means of teleconference
The 22nd meeting of the fifth session of the Board of Directors	October 19, 2021	Onsite and by means of teleconference
The 23rd meeting of the fifth session of the Board of Directors	November 23, 2021	Onsite and by means of teleconference

Attendances of each Director at Board meetings during the Reporting Period are as follows:

Member of the Board	Number of scheduled attendances at Board meetings	Number of attendances in person at Board meetings	Number of attendances by proxy at Board meetings	Number of actual attendances at shareholders' general meetings/ number of required attendances at shareholders' general meetings
Ms. HAO Qiang	4	4	0	0/1
Mr. ZHANG Yunfei	2	1	1	1/1
Mr. WANG Junbiao ⁽¹⁾	2	1	1	0/0
Mr. WANG Peiming ⁽²⁾	0	0	0	0/0
Mr. LI Shishan	7	7	0	2/2
Mr. XIANG Lijun	7	7	0	2/2
Mr. LIU Chenhang	7	7	0	2/2
Mr. LI Yang	–	–	–	–
Mr. WANG Jianjun	7	7	0	2/2
Mr. JIN Haiteng	7	6	1	2/2
Mr. SUN Shihu	7	7	0	2/2
Mr. WANG Liyan	7	7	0	2/2
Mr. DUAN Qingshan	–	–	–	–
Mr. SAI Zhiyi	7	7	0	2/2
Mr. YE Xiang	7	7	0	2/2

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Notes:

1. On April 26, 2021, due to work re-arrangement, Mr. WANG Junbiao resigned as an executive Director, the chairman of the Board, the chairperson and a member of the Development and Strategy Committee of the Board, and a member of the Nomination, Remuneration and HR Committee of the Board of the Bank.
2. On January 20, 2021, due to retirement, Mr. WANG Peiming resigned as the Bank's executive Director and member of the Related Party Transactions Control Committee of the Board.
3. “-” means that they have not obtained approval from the regulatory authorities for the qualifications of directorship as of the meeting date, therefore they shall not perform duties according to regulatory requirements.

Independent non-executive Directors

The Board of the Bank currently has six independent non-executive Directors in compliance with the provisions of Hong Kong Listing Rules on appointment of at least three independent non-executive Directors, who shall jointly account for at least one third of members of the Board of Directors and at least one of whom shall have appropriate professional qualifications or accounting or relevant financial management expertise.

During the Reporting Period, independent non-executive Directors performed their fiduciary and due diligence duties, as well as duties required to be performed under the Articles of Association, and protected the interests of the Bank and its shareholders as a whole. Independent non-executive Directors of the Bank earnestly attended meetings of the Board and special committees, put forward objective and independent opinions on a number of issues discussed at the meetings of the Board and related special committees, and actively participated in the decision-making of the Board and supervised the Board.

The Bank has received the annual confirmation from every independent non-executive Director concerning independence thereof in accordance with Hong Kong Listing Rules for written confirmation of their independence. Therefore, the Bank confirms that all the independent non-executive Directors have complied with Hong Kong Listing Rules regarding independence thereof.

Special committees of the Board of Directors

As of the date of this annual report, the Board of Directors of the Bank has established six special committees, including the Development and Strategy Committee, Audit Committee, Risk Management Committee, Related Party Transactions Control Committee, Nomination, Remuneration and HR Committee, and Consumer Rights Protection Committee.

Development and Strategy Committee

As of the date of this annual report, the Development and Strategy Committee consisted of five Directors, being Ms. HAO Qiang, Mr. JIN Haiteng, Mr. ZHANG Yunfei, Mr. LI Shishan and Mr. DUAN Qingshan. Ms. HAO Qiang is the chairperson of the Development and Strategy Committee. Ms. HAO Qiang and Mr. ZHANG Yunfei are executive Directors, Mr. LI Shishan is a non-executive Director, and Mr. JIN Haiteng and Mr. DUAN Qingshan are independent non-executive Directors. The primary duties of the Development and Strategy Committee include:

- formulating our development strategies and operational objectives, and making relevant recommendations to the Board of Directors;
- reviewing our annual budgets, strategic asset allocation plans, goals for assets and liabilities management, and development plans on various matters, and making relevant recommendations to the Board of Directors;

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- making recommendations on plans for our organizational re-construction, material investment plans and merger and acquisition plans to the Board of Directors;
- assessing the soundness of our corporate structure to improve our financial reports, risk management and internal control in accordance with the standards of our corporate governance policies, and supervising the implementation of our annual operational and investment plans; and
- performing other duties as authorized by the Board of Directors and in accordance with applicable laws and regulations.

During the Reporting Period, the Development and Strategy Committee convened 3 meetings, and deliberated and approved 9 proposals, which mainly involved topics including: the proposal on the development and strategic plan from 2021 to 2025 of Jinshan Bank Co., Ltd., the proposal on annual financial budget in 2021 of Jinshan Bank Co., Ltd., the proposal on the capital adequacy management plan for 2021 of Jinshan Bank Co., Ltd., the proposal on the issue of financial bonds, and the proposal on the issue of capital bonds of non-fix term.

Attendances of each member at the meetings of the Development and Strategy Committee in 2021 are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. WANG Junbiao ⁽¹⁾	1	0	1
Ms. HAO Qiang	2	2	0
Mr. JIN Haiteng	2	1	1
Mr. ZHANG Yunfei	1	1	0
Mr. LI Shishan	3	3	0
Mr. DUAN Qingshan	–	–	–

Note:

1. Due to work re-arrangement, Mr. WANG Junbiao resigned as the chairperson of the Development and Strategy Committee of the Board of the Bank on April 26, 2021.

Audit Committee

The Bank has established an Audit Committee with written terms of reference in compliance with the requirements under the Hong Kong Listing Rules. As of the date of this annual report, the Audit Committee consisted of five Directors, being Mr. WANG Liyan, Mr. SAI Zhiyi, Mr. LIU Chenhang, Mr. SUN Shihu and Mr. YE Xiang. The chairperson of the Audit Committee is Mr. WANG Liyan. Mr. LIU Chenhang is a non-executive Director, and Mr. WANG Liyan, Mr. SAI Zhiyi, Mr. SUN Shihu and Mr. YE Xiang are independent non-executive Directors. More than half of the members of the Audit Committee of the Bank are independent non-executive Directors and the chairperson of the Audit Committee is an independent non-executive Director. The primary duties of the Audit Committee include:

- reviewing our risk management and compliance conditions, accounting policies, financial conditions and financial report procedures;

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- conducting inspections on our risk control system to make sure that the management has established an effective system;
- conducting inspections on and reviewing the compliance and effectiveness of our material operational activities;
- being responsible for our annual audit work and material adjustments regarding the same;
- supervising the completeness of the audited financial reports, reviewing such reports before submitting them to our Board of Directors for review;
- making recommendations on appointment, re-appointment or removal of external auditors, and communicating with the external auditors on behalf of the Bank and providing responses to their management letter;
- raising concerns about possible improprieties in financial reporting, internal control or other matters, and making sure that proper arrangements are in place for fair and independent investigations;
- reporting to the Board on the provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules; and
- performing other duties as authorized by the Board of Directors and in accordance with applicable laws and regulations.

During the Reporting Period, the Audit Committee convened 6 meetings, and deliberated and approved 5 proposals, which mainly involved topics including: The proposal for 2020 annual results announcement and 2020 annual report of Jinshang Bank Co., Ltd., the proposal of Jinshang Bank Co., Ltd. on 2020 annual financial final report, the proposal on 2020 annual audit work report and 2021 annual key work, the proposal on hiring the financial statement auditor for 2021, and the proposal on the interim result announcement and interim report for 2021 of Jinshang Bank Co., Ltd.

The Audit Committee also arranged preparation and review of the annual report 2020 and interim report 2021 according to the provisions on disclosure in the annual financial report. During the Reporting Period, the Audit Committee had several meetings and communications with external auditors in the absence of the executive Directors and senior management. As at March 28, 2022, the Audit Committee had reviewed the audited consolidated financial statements for the year ended December 31, 2021, which were prepared in accordance with the accounting principles and policies of the Bank. It also reviewed the effectiveness of the internal control system and internal audit functions of the Bank by regularly listening to the audit department's report on internal audit.

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Attendances of each member at the meetings of the Audit Committee during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. WANG Liyan	6	6	0
Mr. SAI Zhiyi	6	6	0
Mr. LIU Chenhang	6	6	0
Mr. SUN Shihu	6	6	0
Mr. YE Xiang	6	6	0

Related Party Transactions Control Committee

The Bank has established a Related Party Transactions Control Committee with written terms of reference. As of the date of this annual report, the Related Party Transactions Control Committee consisted of four Directors, being Mr. JIN Haiteng, Mr. SUN Shihu, Mr. WANG Liyan and Mr. ZHANG Yunfei. The chairperson of the Related Party Transactions Control Committee is Mr. JIN Haiteng. Mr. ZHANG Yunfei is an executive Director, and Mr. JIN Haiteng, Mr. SUN Shihu and Mr. WANG Liyan are independent non-executive Directors. The primary duties of the Related Party Transactions Control Committee include:

- assisting the Board of Directors in performing duties in relation to related party transactions and connected transactions in accordance with applicable laws and regulations;
- reviewing, supervising and approving the lists of related parties and connected persons, and identifying and managing related party transactions and connected transactions, so as to control risks in relation to such transactions;
- examining and supervising the control over our related party transactions and connected transactions and the implementation of systems in relation to related party transactions and connected transactions, and reporting to the Board of Directors;
- being responsible for the information disclosure of our related party transactions and connected transactions, and the authenticity, accuracy and completeness of the information in relation to such transactions; and
- performing other duties as authorized by the Board of Directors and in accordance with applicable laws and regulations.

During the Reporting Period, the Related Party Transactions Control Committee convened 3 meetings, and deliberated and approved 6 proposals, which mainly involved topics including: the proposal on credit business of Jinshang Bank Co., Ltd. for major related transactions in 2021, the proposal on identification of related parties of Jinshang Bank Co., Ltd., the proposal on the identification of related parties (persons) of Jinshang Bank Co., Ltd. in 2021, the proposal on the amendment of the Administrative Measures for Related Party (Connected) transactions of Jinshang Bank Co. Ltd., the proposal on adjudgment of credit business of Jinshang Bank Co., Ltd. for major related transactions in 2021, and the proposal on cap amount of the connected transaction conducted between Jinshang Bank Co., Ltd. and connected persons.

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Attendances of each member at the meetings of the Related Party Transactions Control Committee during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. JIN Haiteng	3	2	1
Mr. SUN Shihu	3	3	0
Mr. WANG Peiming ⁽¹⁾	–	–	–
Mr. WANG Liyan	3	3	0
Mr. ZHANG Yunfei	1	1	0

Note:

1. On January 20, 2021, Mr. WANG Peiming resigned as a member of the Related Parties Transactions Control Committee of the Board of the Bank due to retirement.

Risk Management Committee

The Bank has established a Risk Management Committee with written terms of reference. As of the date of this annual report, the Risk Management Committee consisted of five Directors, being Mr. SAI Zhiyi, Mr. JIN Haiteng, Mr. ZHANG Yunfei, Mr. WANG Jianjun and Mr. DUAN Qingshan. The chairperson of the Risk Management Committee is Mr. SAI Zhiyi. Mr. ZHANG Yunfei is an executive Director, Mr. WANG Jianjun is a non-executive Director, and Mr. SAI Zhiyi, Mr. JIN Haiteng and Mr. DUAN Qingshan are independent non-executive Directors. The primary duties of the Risk Management Committee include:

- reviewing our overall risk management policies, measures and preferences in relation to various risks, and assessing the control over these risks by our senior management;
- periodically conducting assessment and listening to reports on our risk policies, management status and risk tolerance ability;
- formulating working procedures and evaluating the working proficiency of our internal audit department and advising on improvement of our risk management and internal control system;
- conducting preliminary examination of the risk identification of various types of transactions, reviewing such transactions and providing opinions in relation to such transactions; and
- performing other duties as authorized by the Board of Directors and in accordance with applicable laws and regulations.

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During the Reporting Period, the Risk Management Committee convened 6 meetings, and deliberated and approved 26 proposals, which mainly involved topics including: the proposal on the guidance opinion on the 2021 annual risk management of Jinshang Bank Co., Ltd., the proposal to amend the management measures for writing off bad debts of Jinshang Bank Co., Ltd., the proposal of amendment to money laundering risk management policy of Jinshang Bank Co., Ltd., etc. The Risk Management Committee reviews the Bank's risk management system covering credit risk, market risk, operational risk, information technology risk, reputational risk and strategic risk by listening to the senior management's reports on the Bank's risk management on a quarterly basis, puts forward opinions and suggestions on improving the Bank's risk management work and urges the senior management to improve the risk management process according to changes in economic trends and macroeconomic control policies and the actual business development of the Bank.

Attendances of each member at the meetings of the Risk Management Committee during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. SAI Zhiyi	6	6	0
Mr. JIN Haiteng	6	5	1
Mr. ZHANG Yunfei	1	1	0
Mr. WANG Jianjun	6	6	0
Mr. DUAN Qingshan	–	–	–

Nomination, Remuneration and HR Committee

The Bank has established a Nomination, Remuneration and HR Committee with written terms of reference in compliance with the requirements under the Hong Kong Listing Rules. As of the date of this annual report, the Nomination, Remuneration and HR Committee consisted of five Directors, being Mr. JIN Haiteng, Mr. DUAN Qingshan, Ms. HAO Qiang, Mr. XIANG Lijun and Mr. SAI Zhiyi. The chairperson of the Nomination, Remuneration and HR Committee is Mr. JIN Haiteng. Ms. HAO Qiang is an executive Director, Mr. XIANG Lijun is a non-executive Director and Mr. DUAN Qingshan, Mr. JIN Haiteng and Mr. SAI Zhiyi are independent non-executive Directors. More than half of the members of the Nomination, Remuneration and HR Committee are independent non-executive Directors, and the chairperson is an independent non-executive Director. The primary duties of the Nomination, Remuneration and HR Committee include:

Nomination duties

- Formulating the criteria and procedures for selecting directors and senior management personnel for approval by the Board of Directors;
- Periodically making recommendations on the size and composition of the Board of Directors in accordance with the Bank's development strategies;
- Identifying qualified individuals as directors, the president of the Bank, the chief audit officer, and the secretary to the Board of Directors, conducting preliminary examination of qualifications and conditions of candidates for directorships and senior management positions, and making recommendations to the Board of Directors;
- Assessing the independence of independent non-executive Directors;

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- Making recommendations on the appointment or re-appointment of directors to the Board of Directors;
- Formulating training plans for senior management and key personnel of the Bank; and
- Formulating the policy relating to diversity of Board members (including any measurable objectives set for implementing the policy, and progress on achieving those objectives), and disclosing the policy or a summary of the policy in the corporate governance report.

Remuneration and appraisal duties

- Making recommendations to the Board of Directors on the policy and structure for remunerations of directors and senior management personnel, and on the establishment of a formal and transparent procedures for developing remuneration policy;
- Reviewing and approving the management's remuneration proposals with reference to the Board of Directors' corporate goals and objectives;
- Formulating the remuneration packages of directors and senior management, making recommendations to the Board of Directors regarding such packages, submitting such packages to the shareholders' general meeting for approval, and supervising the implementation of the same;
- Reviewing the Bank's remuneration policies, contemplating the criteria for appraising directors and senior management, conducting assessment and evaluation and making recommendations to the Board of Directors according to actual conditions;
- Reviewing and approving compensation payable to executive directors and senior management for any loss or termination of office to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;
- Reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and
- Performing other duties as authorized by the Board and in accordance with applicable laws and regulations.

During the Reporting Period, the Nomination, Remuneration and HR Committee convened 3 meetings, and deliberated and approved 7 proposals, which mainly involved topics including: Proposal on the 2020 Annual Director Performance Evaluation Report of the Board of Directors of Jinshang Bank Co., Ltd., the proposal to appoint Ms. LI Wenli as the chief audit officer of Jinshang Bank Co., Ltd., the proposal to nominate Ms. HAO Qiang as the candidate for the executive Director of the fifth session of the Board of Jinshang Bank Co., Ltd., the proposal to nominate Mr. ZHANG Yunfei as the candidate for the executive Director of the fifth session of the Board of Jinshang Bank Co., Ltd., the proposal to appoint Mr. ZHANG Yunfei as the vice president of Jinshang Bank Co., Ltd., the proposal to appoint Mr. ZHAO Jiquan as vice president of Jinshang Bank Co., Ltd., and the proposal on amending the administrative measures for the management of Jinshang Bank Co., Ltd.

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The Nomination, Remuneration and HR Committee formulates the remuneration policies for Directors, regularly evaluates the performance of executive Directors and reviews the evaluation reports on the performance of duties by Directors. During the Reporting Period, based on the comprehensive situation of professional background and working experience, the Nomination, Remuneration and HR Committee nominated Ms. HAO Qiang as an executive Director and the chairwoman of the Board of Directors of the Bank, and nominated Mr. ZHANG Yunfei as an executive Director and the vice chairman of the Board of Directors of the Bank.

Attendances of each member at the meetings of the Nomination, Remuneration and HR Committee during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. JIN Haiteng	3	2	1
Mr. DUAN Qingshan	–	–	–
Mr. WANG Junbiao ⁽¹⁾	1	0	1
Ms. HAO Qiang	1	1	0
Mr. XIANG Lijun	3	3	0
Mr. SAI Zhiyi	3	3	0

Note:

1. On April 26, 2021, Mr. WANG Junbiao resigned as a member of the Nomination, Remuneration and HR Committee of the Board of Directors of the Bank due to job changes.

The Board believes the diverse Board membership is conducive to improving the Bank's performance. The Board diversity of the Bank is of huge importance to achieve sustainable development, implement strategies and maintain good corporate governance.

The Bank adopted a board diversity policy (the "**Board Diversity Policy**") before listing setting out the approach to achieve and maintain diversity on the Board in compliance with the Hong Kong Listing Rules, pursuant to which the Bank seeks to achieve Board diversity through consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time.

Furthermore, the Nomination, Remuneration and HR Committee will review the Board composition at least once annually taking into account the benefits of all relevant diversity aspects, and support the Board Diversity Policy when making recommendation to the Board on appointment of new directors. The Nomination, Remuneration and HR Committee will also review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness and the Bank will take opportunities to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for the Board so as to ensure that appropriate gender diversity is achieved with reference to stakeholders' expectation and international and local recommended best practices.

Corporate Governance Report

The Board comprises 13 members, including two executive Directors, five non-executive Directors and six independent non-executive Directors. Directors of the Bank have a balanced mix of experience, including banking, corporate/economics/administrative management, auditing, accounting and finance. Furthermore, the Board has a relatively wide range of age, ranging from 35 years old to 77 years old. One member of the Board is a female. The Bank will use its best efforts to achieve at least 15% female representation in the Board within five years of listing.

Going forward, to develop a pipeline of potential successors to the Board that could ensure gender diversity of the Board in a few years' time, the Bank will (i) consider the possibility of nominating female senior management who has the necessary skills and experience to the Board; (ii) ensure that there is gender diversity when recruiting staff at mid to senior level; and (iii) engage more resources in training female staff with the aim of promoting them to the senior management or directorship of the Bank.

Consumer Rights Protection Committee

The Bank has established a Consumer Rights Protection Committee with written terms of reference. As of the date of this annual report, the Consumer Rights Protection Committee consisted of four Directors, being Mr. SUN Shihu, Mr. WANG Liyan, Mr. LI Yang and Mr. SAI Zhiyi. The chairperson of the Consumer Rights Protection Committee is Mr. SUN Shihu. Mr. LI Yang is the non-executive Director. Mr. SUN Shihu, Mr. WANG Liyan and Mr. SAI Zhiyi are independent non-executive Directors. The primary duties of the Consumer Rights Protection Committee are as follows:

- being responsible for formulating the strategies, policies and goals of the Bank's consumer rights protection work;
- supervising the senior management to effectively implement consumer rights protection work;
- periodically listening to special reports on consumer rights protection work, supervising and evaluating the comprehensiveness, promptness, and effectiveness of the Bank's consumer rights protection work and the performance of the senior management, and submitting the relevant reports to the Board of Directors; and
- performing other duties as authorized by the Board of Directors and in accordance with applicable laws and regulations.

During the Reporting Period, the Consumer Rights Protection Committee convened 3 meetings, listened to 3 reports on financial services survey, which mainly involved topics including: the proposal on the special survey report on the standardization of financial services of Jinshang Bank Co., Ltd., the proposal on the measures for the administration of consumer rights protection work of Jinshang Bank Co., Ltd., and the proposal on the analysis report of consumer complaints in the first three quarters of 2021 of Jinshang Bank Co., Ltd.

Corporate Governance Report

Attendances of each member at the meeting of the Consumer Rights Protection Committee during the Reporting Period are set out as follows:

Member	Number of scheduled attendances at the meetings	Number of Attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. SUN Shihu	3	3	0
Mr. WANG Liyan	3	3	0
Mr. LI Yang	–	–	–
Mr. SAI Zhiyi	3	3	0

Corporate governance function

As the Bank has no corporate governance committee, the Board undertakes the Bank's corporate governance functions, such as formulating and reviewing the Bank's policies and corporate governance practices, reviewing and supervising the training and continuous professional development of directors, supervisors and senior management, reviewing and supervising the Bank's policies and practices on compliance with legal and regulatory requirements, and reviewing the Bank's compliance with related codes and disclosure in corporate governance report.

The Board of Directors urges the Directors and senior management to participate in trainings regularly to constantly improve their professional capabilities. The Board of Directors has arranged Directors to participate in the 55th seminar for strengthening the ongoing professional development of joint members held by The Hong Kong Institute of Chartered Secretaries. The Board of Directors thoroughly implemented the requirements of the Three-year Action Plan for Perfecting Corporate Governance of Banking and Insurance Industry (2020-2022) issued by the CBIRC, continuously strengthened the construction of corporate governance, and further improved the compliance and effectiveness of corporate governance. In accordance with the latest regulatory policy changes, the Board of Directors amended the Articles of Association, the Rules of Procedures for the shareholders' general meeting, the Rules of Procedures for the Board of Directors and other systems, which improved the system of the corporate governance. The Board of Directors conducted corporate governance assessment on a regular basis pursuant to the regulatory requirements, and inspected problems according to the regulatory assessment results and internal and external audit to earnestly urge and promote the rectification of the problems, so as to continuously improve the effectiveness of corporate governance.

BOARD OF SUPERVISORS

Composition of the Board of Supervisors

As of the date of this annual report, the Board of Supervisors consisted of eight Supervisors, including three employee Supervisors, namely Mr. XIE Liying, Mr. WEN Qingquan and Mr. GUO Zhenrong; two shareholder Supervisors, namely Mr. BI Guoyu and Mr. XIA Guisuo; and three external Supervisors, namely Mr. LIU Shoubao, Mr. WU Jun and Mr. LIU Min. The number of members and composition of the Board of Supervisors complied with the applicable laws and regulations.

Changes in members of the Board of Supervisors during the Reporting Period

Save as disclosed in the section "Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management during the Reporting Period", there were no other changes in the members of the Board of Supervisors of the Bank during the Reporting Period.

Corporate Governance Report

Meetings of the Board of Supervisors and Supervisors' attendances at the meetings

During the Reporting Period, the Bank convened 7 meetings of the Board of Supervisors, and deliberated and approved 81 proposals, which mainly involved topics including 2021-2025 Development Strategic Plan of Jinshang Bank Co., Ltd., 2020 Strategic Implementation Evaluation Report of Jinshang Bank Co., Ltd., 2020 Comprehensive Risk Management Report of Jinshang Bank Co., Ltd., and 2020 final financial report of Jinshang Bank Co., Ltd.

Attendances of each Supervisor at the meetings of the Board of Supervisors during the Reporting Period are as follows:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. XIE Liying	7	6	1
Mr. WEN Qingquan	7	7	0
Mr. GUO Zhenrong	7	7	0
Mr. BI Guoyu	7	7	0
Ms. XU Jin ⁽¹⁾	3	3	0
Mr. XIA Guisuo	7	7	0
Mr. LIU Shoubao	7	6	1
Mr. WU Jun	7	7	0
Mr. LIU Min	7	7	0

Note:

1. On June 10, 2021, Ms. XU Jin resigned as the shareholder supervisor of the Bank due to work change.

Committees under the Board of Supervisors

There are two committees under the Bank's Board of Supervisors, namely, the Supervision Committee and the Nomination Committee. The committees operate in accordance with the terms of reference established by the Board of Supervisors.

Supervision Committee

As of the date of this annual report, the Supervision Committee consisted of four Supervisors, being Mr. LIU Shoubao, Mr. BI Guoyu, Mr. XIA Guisuo and Mr. GUO Zhenrong. The chairperson of the Supervision Committee is Mr. LIU Shoubao. The primary duties of the Supervision Committee include:

- supervising the formulation of examination plans, and the implementation of our operational decisions, financial activities, risk management and internal control;
- making recommendations on penalties over violations of applicable laws, regulations and rules by the Board of Directors and senior management;
- supervising the issuance of written reports by the office of the Board of Supervisors on financial reports and distribution plans;
- conducting preliminary review on removals of independent non-executive directors, and making recommendations to the Board of Supervisors regarding such removals;

Corporate Governance Report

- supervising other relevant matters which are material to our business and operation; and
- performing other duties as authorized by the Board of Supervisors.

During the Reporting Period, the Supervision Committee convened 7 meetings, and deliberated and approved 65 proposals, which mainly involved topics including the 2020 Work Report of the Board of Directors of Jinshang Bank Co., Ltd., the 2020 Work Report of the Senior Management of Jinshang Bank Co., Ltd., and the 2020 Internal Control Self-evaluation Report of Jinshang Bank Co., Ltd.

Attendances of each member at meetings of the Supervision Committee during the Reporting Period are shown in the table below:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. LIU Shoubao	7	6	1
Mr. BI Guoyu	7	7	0
Ms. XU Jin ⁽¹⁾	3	3	0
Mr. XIA Guisuo	7	7	0
Mr. GUO Zhenrong	7	7	0

Note:

1. On June 10, 2021, Ms. XU Jin resigned as the shareholders' representative supervisor of the Bank due to work change.

Nomination Committee

As of the date of this annual report, the Nomination Committee consisted of five Supervisors, being Mr. WU Jun, Mr. XIE Liying, Mr. BI Guoyu, Mr. LIU Min and Mr. WEN Qingquan. The chairperson of the Nomination Committee is Mr. WU Jun. The primary duties of the Nomination Committee include:

- instructing the formulation of criteria and procedures for selecting supervisors;
- conducting preliminary examination of qualifications and conditions of supervisor candidates, and making recommendations to our Board of Supervisors;
- formulating the assessment plans for supervisors, conducting assessment for supervisors, and raising preliminary assessment opinions;
- formulating the remuneration packages for supervisors, making recommendations to the Board of Supervisors in relation to such packages, and submitting to the shareholders' general meeting for approval;
- periodically assessing the performance of directors and senior management and reporting to the shareholders' general meeting;
- conducting preliminary review on resignations or removals of supervisors, and making recommendations to the Board of Supervisors; and
- performing other duties as authorized by the Board of Supervisors.

Corporate Governance Report

During the Reporting Period, the Nomination Committee convened 4 meetings, and deliberated and approved 16 proposals, which mainly involved topics including the evaluation report of the Board of Supervisors of Jinshang Bank Co., Ltd. on the performance of the directors in 2020, the evaluation report of the Board of Supervisors of Jinshang Bank Co., Ltd. on the performance of the senior management members in 2020, and the evaluation report of the Board of Supervisors of Jinshang Bank Co., Ltd. on the performance of the supervisors in 2020.

Attendances of each member at meetings of the Nomination Committee during the Reporting Period are shown in the table below:

Member	Number of scheduled attendances at the meetings	Number of attendances in person at the meetings	Number of attendances by proxy at the meetings
Mr. WU Jun	4	4	0
Mr. XIE Liying	4	3	1
Mr. BI Guoyu	4	4	0
Mr. LIU Min	4	4	0
Mr. WEN Qingquan	4	4	0

Attendances at the shareholders' general meetings during the Reporting Period

During the Reporting Period, the Bank convened two shareholders' general meetings. The Board of Supervisors dispatched representatives to attend the meetings and supervise onsite whether the contents considered at the meetings, meeting procedures and voting processes comply with the laws and regulations.

Attendances at the Board meetings during the Reporting Period

During the Reporting Period, to improve the basic duty performance evaluation work, the Bank's Board of Supervisors dispatched supervisors to attend the Board meetings and required the Supervisors to record the key contents and information related to the meetings of the special committees of the Board attended by them, which records were used as the basic data for year-end evaluation of the Board of Supervisors and effectively improved the objectivity of evaluation work.

Training of the Directors and Supervisors during the Reporting Period

During the Reporting Period, Directors and Supervisors of the Bank participated in the related trainings mainly on duty performance of directors and supervisors, etc. During the year, the Board of Supervisors organized the supervisors to participate in the Training of the Latest Regulatory Policies on Corporate Governance of Small and Medium Banks organized by the AFCA Finance Academy, and organized the study of regulatory policies and systems during the collective discussion meeting.

SENIOR MANAGEMENT

Senior management has the power granted by the Board of the Bank to manage the daily operation of the Bank. President of the Bank is mainly responsible for executing the decisions of the Board and reporting to the Board. On April 30, 2021, the Board of Directors considered and approved the proposal to appoint Mr. ZHANG Yunfei as an executive director and vice president of the Bank (acting as the president of the Bank). In addition to Mr. ZHANG Yunfei, the Bank has also appointed three vice presidents and other senior management personnel of the Bank working with the president of the Bank and performing their respective management responsibilities.

Corporate Governance Report

The Bank's Board and management represented by the president perform their respective responsibilities according to the terms of reference specified in the Articles of Association. Under the Articles of Association, the president and senior management are accountable to the Board and accept the supervision of the Board of Supervisors. The president and senior management shall, in a regular manner or as required by the Board or Board of Supervisors, report to the Board or Board of Supervisors the Bank's operation performance, financial conditions, risk conditions, operation prospects, material contracts, significant events and other conditions, and shall ensure the authenticity of such reports. Senior management may set up special committees and functional departments according to work needs and as required by the Board, and specify the structure of functional departments.

CHAIRPERSON OF THE BOARD AND PRESIDENT

The roles and functions of the chairperson and the president of the Bank were performed by different persons during the Reporting Period, and the respective duties of the chairman of the Board and president of the Bank were defined clearly, which complied with the Hong Kong Listing Rules.

On April 30, 2021, the Board of Directors considered and approved the proposed appointment of Ms. HAO Qiang as an executive director of the Bank and Mr. ZHANG Yunfei as an executive director and vice president of the Bank (acting as the president of the Bank). On June 10, 2021, the Bank's 2020 Annual General Meeting approved the appointment of Ms. HAO Qiang and Mr. ZHANG Yunfei as executive directors, and Ms. HAO Qiang and Mr. ZHANG Yunfei were elected as the chairwoman and vice chairman of the Board respectively after the election of the Board. For details, please refer to the Bank's announcement entitled "Proposed Appointment of Executive Directors" dated April 30, 2021 and the announcement dated June 10, 2021 entitled "(i) Poll Results of the 2020 Annual General Meeting held on June 10, 2021 (Thursday); (ii) Appointment of Executive Directors; (iii) Election of Chairwoman and Vice Chairman; (iv) Change of Board Committee Members; and (v) Resignation of Shareholders' Representative Supervisor".

On July 16, 2021, Ms. HAO Qiang obtained the approval from the CBIRC Shanxi Office for the qualification of director and chairwoman. For details, please refer to the Bank's announcement dated July 19, 2021 under the heading "Announcement on Approval of the Qualification as Director and Chairwoman by the Regulatory Authority".

On August 30, 2021, Mr. ZHANG Yunfei obtained approval from the CBIRC Shanxi Office for the qualification of director and vice chairman. For details, please refer to the Bank's announcement dated August 31, 2021 titled "Announcement on Approval of the Qualifications as Director, Vice Chairman and Vice President by the Regulatory Authority".

COMPANY SECRETARIES

On March 26, 2021, Ms. YEUNG Ching Man no longer served as Joint Company Secretary of the Bank. On the same day, Mr. WONG Wai Chiu was appointed as the Joint Company Secretary. For details, please refer to the Bank's announcement headed "Change of Joint Company Secretaries, Authorized Representative and Agents for Legal Procedure and Exemption from Strict Compliance with Rules 3.28 and 8.17 of the Listing Rules and Change of Building Name of Principal Place of Business in Hong Kong" issued on March 26, 2021. Mr. LI Weiqiang and Mr. WONG Wai Chiu confirmed that they have received no less than 15 hours of relevant professional training during the Reporting Period.

Each Director may discuss with the company secretaries for advice and information. Mr. LI Weiqiang is the principal contact of Mr. WONG Wai Chiu at the Bank.

Corporate Governance Report

RELATIONSHIP BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT PERSONNEL

There is no financial, business or kinship relationship between the Directors, Supervisors and senior management personnel of the Bank.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE BANK

On June 9, 2020, the resolution to amend the Articles of Association of the Bank was passed in the 2019 Annual General Meeting of the Bank, the Domestic Shares Class Meeting and the H Share Class Meeting. CBIRC Shanxi Office has approved the Bank to amend the Articles of Association on July 30, 2021. The revised Articles of Association of the Bank will come into effect from the date of approval. For further details, please refer to the circular of the Bank issued on April 23, 2020 and the announcements of the Bank issued on June 9, 2020 and August 4, 2021.

On December 16, 2021, the resolution to amend the Articles of Association of the Bank was passed in the 2021 First Extraordinary General Meeting of the Bank. The revised Articles of Association of the Bank will come into effect from the date when we obtain all necessary approvals from CBIRC Shanxi Office. Before this, the Articles of Association of the Bank currently in effect shall apply. For details, please refer to the Circular and Announcement of the Bank issued on November 29, 2021 and December 16, 2021 respectively.

On March 29, 2022, the Bank held a Board meeting to consider and approve, among other things, a proposal on amendments to the Articles of Association. The proposed amendments to the Articles of Association currently in effect are subject to the consideration and approval of the shareholders of the Bank by a special resolution at a general meeting to be held by the Bank and will come into effect from the date of approval by the banking and insurance regulatory authorities of the PRC. For details, please refer to the announcement of the Bank issued on April 11, 2022.

Except as disclosed above, there are no other significant changes in the Articles of Association during the Reporting Period and the date of this annual report. The Articles of Association is available on the websites of the Bank and Hong Kong Stock Exchange.

COMMUNICATIONS WITH SHAREHOLDERS

The Bank attached great importance to the opinions and suggestions of shareholders and actively organized various communication activities with investors and analysts, so as to maintain a good relationship and respond to the reasonable requirements of shareholders in a timely manner. Shareholders may make enquiries to the Board through the office of the Board. Contact details of the Board are as follows:

Address : No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province, the PRC
Postal Code : 030000
Tel. : 0351-6819503
Fax : 0351-6819503
E-mail : dongban@jshbank.com

SHAREHOLDERS' RIGHTS

Procedures for shareholders to call an extraordinary general meeting

The Bank effectively safeguards shareholders' rights in strict accordance with the applicable laws and regulations, Hong Kong Listing Rules, Articles of Association and corporate governance system.

Pursuant to the Articles of Association, an extraordinary general meeting is required to be held within two months from the date of occurrence of any of the following:

Corporate Governance Report

Shareholders individually or in aggregate holding more than 10% of the Bank's shares may request in writing to the Board to convene an extraordinary general meeting or class meeting; the Board shall, pursuant to relevant laws, administrative regulations and the Articles of Association, give a written reply on whether to convene the extraordinary general meeting or class meeting within ten days after receipt of the request. The number of shares held by the aforesaid shareholders shall be subject to the number of shares held by such shareholders on the date of their written request to the Board.

More than half of the independent Directors (if there are only two independent Directors, the independent Directors shall agree unanimously) shall be entitled to propose to the Board to convene an extraordinary general meeting. The Board shall, pursuant to relevant laws, administrative regulations and the Articles of Association, give a written reply on whether or not it agrees to hold such an extraordinary general meeting within 10 days after receipt of the proposal of the independent directors to hold such a meeting. If the Board agrees to convene the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. If the Board does not agree to hold the extraordinary general meeting, it shall give the reasons.

The Board of Supervisors or more than half of the external supervisors (if there are only two external supervisors, they shall agree unanimously) shall be entitled to propose to the Board to convene an extraordinary general meeting, and shall put forward its proposal to the Board in writing. The Board shall, pursuant to relevant laws, administrative regulations and the Articles of Association, give a written reply on whether or not it agrees to hold such an extraordinary general meeting within 10 days after receipt of the proposal.

If the Board agrees to hold the extraordinary general meeting, it shall serve a notice of such meeting within five days after the resolution is made by the Board. Any change to the original proposal sets forth in the notice shall be subject to approval by the Board of Supervisors. If the Board does not agree to hold the extraordinary general meeting or fails to give a written reply within 10 days after receipt of the proposal, it shall be deemed to be unable to perform or fail to perform the duty of convening the extraordinary general meeting, and the Board of Supervisors may convene and preside over the meeting by itself.

For further details, shareholders may refer to the Articles of Association published on the websites of Hong Kong Stock Exchange and our Bank.

Procedures for making proposals at shareholders' general meeting

Where the Bank convenes a shareholders' general meeting, the Board, Board of Supervisors, and Shareholder(s) individually or in aggregate holding more than 3% of the total voting shares of the Bank may make proposals to the Bank. The Bank shall include in the agenda of the meeting the matters in the proposal that fall within the scope of functions of the shareholders' general meeting.

Shareholders individually or in aggregate holding more than 3% of the total voting shares of the Bank may submit written provisional proposals to the convener 10 days before the shareholders' general meeting. The convener shall serve a supplementary notice of shareholders' general meeting within two days after receipt of the proposals and announce the contents of the provisional proposals.

Save as specified in the preceding paragraph, the convener shall not change the proposals set out in the notice of shareholders' general meeting or add any new proposal after the said notice is served.

For further details, shareholders may refer to the Articles of Association published on the websites of Hong Kong Stock Exchange and the Bank.

Corporate Governance Report

EXTERNAL AUDITORS AND THEIR REMUNERATIONS

Pursuant to the Administrative Measures for the Appointment of Accounting Firms by Financial Enterprises 《金融企業選聘會計師事務所管理辦法》 (Caijin [2016] No. 12) issued by the Ministry of Finance, the term of appointment of an accounting firm by a financial enterprise shall not exceed eight years. KPMG has been consecutively engaged as the auditing agency for the financial statements of the Bank for eight years as of 2019. In order to comply with above requirement, the Bank has reached a mutual understanding with KPMG on the non-renewal of its appointment. On June 9, 2020, the shareholders of the Bank deliberated and approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the new auditors of the Group at the 2019 annual general meeting and the tenure will terminate until the end of next annual general meeting of the Bank. On June 10, 2021, the shareholders of the Bank deliberated and approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the auditors of the Group at the 2020 annual general meeting and the tenure will terminate until the end of next annual general meeting of the Bank.

For the year ended December 31, 2021, the remuneration agreed to be paid by the Bank to Ernst & Young Hua Ming LLP and Ernst & Young for the review of interim financial statements and the audit of annual financial statements was RMB3.98 million in aggregate. During the Reporting Period, the Bank is not subject to any non-audit service fees.

Remuneration of senior management

Details of the remuneration of senior management for the year ended December 31, 2021 are set out in the “Directors, Supervisors, Senior Management and Employees – Information on Remuneration Paid to Directors, Supervisors and Senior Management” of this annual report.

Risk management and internal control

For details of the Bank’s risk management and internal control, please refer to the “Risk Management and Internal Control” of this annual report.

Securities transactions by Directors, Supervisors and relevant employees

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Hong Kong Listing Rules as its code of conduct for regulating securities transactions by Directors, Supervisors and relevant employees of the Bank. Having made enquiry with all Directors and Supervisors, all of the Directors and Supervisors confirmed that they have been in compliance with the Model Code above throughout the Reporting Period. The Bank is not aware of any violations of the Code by the employees concerned.

Directors' Report

The Board hereby presents the Directors' report and audited financial statements of the Bank for the year ended December 31, 2021.

MAIN OPERATIONS

The Bank is principally engaged in banking and relevant financial services, including corporate banking, retail banking and financial markets. The data on business audit of the Bank for the year ended December 31, 2021 is set out in "Management Discussion and Analysis" of this annual report.

BUSINESS REVIEW

Business review of the Bank

The business review of the Bank during the Reporting Period is set out in "Management Discussion and Analysis – 10 Business Review".

Environmental policy and performance

In recent years, the Bank has actively undertaken social responsibilities related to environmental policies. In 2021, the Bank complied with the "comply or explain" provisions set forth in the Environmental, Social and Governance Reporting Guide. For further information of the environmental policies and performance of the Bank during the Reporting Period, please refer to the 2021 Environmental, Social and Governance Report to be published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank in due course.

For details of the Bank's environmental policy and performance, please refer to "2021 Environmental, Social and Governance Report of Jinshang Bank Co., Ltd."

CONSUMER RIGHTS PROTECTION

The Board has established the Consumer Rights Protection Committee. For details of its responsibilities, please refer to the "Corporate Governance Report – Special committees of the Board of Directors – Consumer Rights Protection Committee" of this annual report.

Directors' Report

In terms of consumer rights protection, the Bank mainly carried out the following activities: (1) actively promote the creation of “star outlets” to help improve the service level of the whole bank. In 2021, in the bank-wide promotion of creating “star outlets”, the Bank focused on the creation of 18 outlets recommended by each branch (branches directly administered by our headquarters). The Development Zone Sub-branch of Jincheng Branch has been awarded the title of “One Thousand Best Demonstration Units” for civilized and standardized service by the banking branch of China Banking Association. In the creation of “star outlets”, three business outlets of the Nanzhonghuan Sub-branch of the Integrated Reform Directly Affiliated Bank, Yingze Sub-branch of the Jin Yang Directly Affiliated Bank and the Business Department of the Integrated Reform Directly Affiliated Bank reached the standard of “five-star outlets”, and five business outlets reached the standard of “four-star outlets”; (2) Promote the creation of “financial knowledge education bases”. On the basis of the evaluation of the business of Longcheng sub-branch as a financial knowledge education base in Shanxi Province, we carried out the creation of financial knowledge education bases throughout the bank in 2021 to ensure that each of the 14 branches (branches directly administered by our headquarters) has at least one financial knowledge education base; (3) Continuously promote the institutional development of consumer protection mechanism. In 2021, the Bank revised the “Measures for Administration of the Protection of Financial Consumers’ Rights and Interests of Jinshang Bank Co., Ltd”, including the adjustment of decision-making bodies, the addition and improvement of relevant departments and departmental responsibilities, the addition of product and service management audit, publicity and education, complaint management, personal financial information protection, emergency response, internal supervision and accountability, and information report on consumer protection work; (4) Complaint acceptance system operates smoothly in the whole Bank. In 2021, our Bank accepted 333 complaints in total from consumers and completed 333 complaints for the year. The complaint completion rate was 100%, which remained at a relatively high level. To categorize by the complaint regions: in 2021, our Bank accepted a total of 281 complaints from Taiyuan (among which 15 in the head office/branches, 177 in the Credit Card Center, 89 in the subordinate banks in Taiyuan), which accounted for 84.38%; 11 complaints in Shuozhou, which accounted for 3.30%; 9 complaints in Datong, which accounted for 2.70%; 7 complaints in Xinzhou, which accounted for 2.10%; 6 complaints in Yuncheng, which accounted for 1.80%; 5 complaints in Linfen and Yangquan respectively, which accounted for 1.50% respectively; 3 complaints in Jinzhong and Jincheng respectively, which accounted for 0.90% respectively; 2 complaints in Lvliang, which accounted for 0.60% and 1 complaint in Changzhi, which accounted for 0.30%. Disaggregated by types of business: In 2021, the complaints of the Bank involved the following 10 types of business: RMB savings, credit cards, debit cards, loans, payment and settlement, self-operated wealth management, debt collection, personal financial information, banking agency business and others. Among them, the top three complaints in volume were 175 complaints of credit cards, accounting for 52.55%; 37 complaints of RMB savings, accounting for 11.11%; 36 complaints of debit cards, accounting for 10.81%, respectively. Disaggregated by reasons for complaints: In 2021, the reasons for the complaints of the Bank were mainly focused on the following 10 aspects: system, business rules and procedures, service attitude and service quality, pricing and charging, service facilities, equipment, business system, means and methods of debt collection, means and methods of marketing, security of consumers’ information, information disclosure, gains from products, security of consumers’ fund. Among them, the reasons for the most frequently causing complaints were 161 complaints caused by system, business rules and procedures, accounting for 48.35%; the second was 75 complaints caused by service attitude and service quality, accounting for 22.52%; the third was 49 complaints caused by pricing and charging, accounting for 14.71%. (5) strengthen the building of teams and improve all staff’s working skill of consumer rights protection. In June, September and November, the Bank successively and respectively organized three mobilization meetings and promotion meetings by meetings in lieu of training, with the themes of building up “star outlets”, sharing complaints cases, “Tightening the strings of risk control, strictly observing the bottom line of compliance, building a solid foundation for consumer rights protection” and reporting cases of Hua Xia Bank, respectively. The Bank conducted trainings in skills of complaints handling, and organized skills competitions and competing activities on “learning into practical use and enhancing quality of consumer rights protection” to improve service quality of the staff.

Directors' Report

COMPLIANCE WITH LAWS AND REGULATIONS

Based on the Corporate Governance Standards for Banking and Insurance Institutions, Guidelines on Comprehensive Risk Management for Banking Financial Institutions and other risk management principles, the Bank has established a sound risk management organizational structure, comprising (1) the Board of Directors, the Risk Management Committee at the board level and the Board of Supervisors; (2) various special risk management committees at the board level and at the senior management level that take charge of the guidance, support and coordination of our risk management system; and (3) various departments at our head office, branches and sub-branches that are in charge of daily risk management work. Capitalizing on our comprehensive risk management structure, the Bank has been able to effectively manage key risks associated with our daily operations, primarily including credit risk, market risk, liquidity risk and operational risk.

The Bank has established a range of systems and measures to manage and control the legal risks faced by the Bank. Our Legal and Compliance Department at the head office and the corresponding departments at the branch level are responsible for management of our legal risk. The Bank carries out legal risk management mainly through the following measures: (1) Implementing the legal review system. The Bank requires the contracts for all types of businesses bank-wide to be submitted to our Legal and Compliance Department for legal review, and to be used only after obtaining our legal opinion. The Bank conducts legal review of our businesses to prevent legal risks and ensure the legality of our operational activities; (2) Formulating form agreements. The Bank formulates form agreements for frequent operational activities and uses them in bankwide businesses to reduce legal risks; (3) Strengthening litigation management. The Bank studies and discusses the action plans upon litigation, formulates internal procedures relating to litigation management, and enhances our case management capability; (4) Periodic legal training. The Bank conducts multiple bank-wide legal training every year to enhance the legal knowledge and risk awareness of our personnel; and (5) Legal risk alert system. For common legal risks in the Bank's business operations, the Bank publishes legal risk alerts to remind our employees to prevent and reduce the occurrence of legal risk incidents.

The Bank has developed internal policies and procedures with respect to anti-money laundering which are primarily relating to customer due diligence, customer information and transaction record keeping, customer classification for anti-money laundering, and large and suspicious transaction reporting. The Bank systematically conducted customer due diligence and collected relevant information and transaction records pursuant to applicable laws and regulations and our internal policies. The Bank has developed an anti-money laundering system, which enables us to effectively identify, evaluate, monitor, control and report anti-money laundering risks. The Bank also optimizes the system and improves our model for identifying suspicious transactions on a continuous basis in order to enhance our ability to report large-amount and suspicious transactions. The Bank provides frequent training to our employees to assist them to understand the latest development about domestic and international anti-money laundering laws.

Based on our internal rules and policies, the Bank classifies our customers into five levels based on their money laundering risk. For newly acquired customers who have a newly established business relationship with us, the Bank reviews the customer information and classifies their risk levels. The Bank continuously monitors changes in the customer's situation and their transactional records and adjusts their risk levels as appropriate. For high risk customers, the Bank conducts identification recognition and focuses on analyzing their source of funds, use of funds, financial condition, operational status, controlling shareholders and controlling persons. The Bank also conducts closer monitoring on their transactional details through our core business system or anti-money laundering system.

Directors' Report

The Bank has established a management system for large and suspicious transaction reporting, and has formulated independent monitoring rules and models according to the requirements set forth by the regulatory authorities. The Bank submits suspicious transaction reports which fulfill the requirements and have gone through the artificial analysis to the Anti-money Laundering Monitoring Center of PBoC, and the Bank timely files the key suspicious transaction reports to the local PBoC.

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

RELATIONSHIP BETWEEN THE BANK AND ITS EMPLOYEES

The senior management of the Bank pays particular attention to the cultivation of talents and consider the identification and utilization of talents the basis of the Bank's sustainable development. The Bank has established a workforce with necessary expertise and strong execution capacity. The Bank has established a comprehensive incentive management system offering a clear career development path for its staff, encouraging employees with different expertise to fully realize their value. The Bank invests in improvements in our continued training program for employees that comprise multi-level courses and on-the-job training covering various positions, where it aims to enhance employees' professional capability and to build a professional, dedicated, honest and united talent team.

Believing that its sustainable growth relies on the capability and dedication of its employees, the Bank has invested significant resources in talent development. With the mission of building a team of high-quality and professional cadres and talents, the Bank organizes and conducts a variety of training programs. The Bank adopts the "going out" strategy to learn management, and cooperates with internationally renowned companies to provide cutting-edge programs with various forms, novel contents and wide categories, which offer managers diverse thinking and support for their decision-making, for middle and senior management team and branch executives. The Bank conducts intensive training programs on workplace skills and business knowledge arranging for new employees, creates diversified online training channels based on current situation to expand the coverage of training.

In compliance with the PRC laws and regulations, the Bank contributes to its employees' social security and other benefits program including pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, housing allowances and corporate annuity.

The Bank has a labor union established in accordance with PRC laws and regulations, which represents the interests of the employees and works closely with the management of the Bank on labor-related issues. During the Reporting Period, the Bank had not experienced any strikes or other material labor disputes that affect its operations, and the Bank believed the management had been maintaining a good relationship with the labor union.

For details of the Bank's employees and employment policies, please refer to the aforesaid section "Directors, Supervisors, Senior Management and Employees" and 2021 Environmental, Social and Governance Report to be published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank in due time.

Directors' Report

PERFORMANCE

The performance of the Bank for the year ended December 31, 2021 is set out in the section headed "Financial Statements".

DIVIDEND

Aiming at providing stable and sustainable returns to shareholders, the Bank strives to maintain a stable dividend policy, under which when deciding whether to distribute dividends and the amount of dividends, the Board will consider the Group's operating results, financial conditions, distributable profits generated in the current year, working capital adequacy, capital requirements, future prospects and any other factors the Board deems appropriate.

On March 26, 2021, the Board passed a resolution which proposed to declare and distribute cash dividends of RMB10.0 (tax inclusive) per 100 shares, totaling RMB583.9 million for the year ended December 31, 2020. The declaration and distribution of these dividends were approved at the 2020 annual general meeting on June 10, 2021. The Bank has declared and distributed these dividends for the year ended December 31, 2020 with its internal funds on July 30, 2021.

The profits of the Bank for the year ended December 31, 2021 and the financial conditions of the Bank as of the same date are set out in the section "Financial Statements" of this annual report.

The Board has proposed to distribute final dividends for the year ended December 31, 2021 at RMB10 (tax inclusive) per 100 shares in cash, with an aggregate amount of approximately RMB583.9 million. The final dividend is subject to approval of shareholders at the annual general meeting of 2021 ("**2021 Annual General Meeting**") to be held by the Bank. If approved at the 2021 Annual General Meeting of the Bank, the final dividend is expected to be paid on July 29, 2022.

If the proposal is approved at the 2021 Annual General Meeting, the dividend will be distributed to holders of Domestic Shares and H Shares registered on the share register of the Bank on Tuesday, June 21, 2022. The aforesaid dividend proposed to be distributed will be denominated in RMB and distributed to holders of Domestic Shares in RMB and holders of H Shares in Hong Kong dollars, respectively. The applicable exchange rate for calculating the dividend to be distributed in Hong Kong dollars will be the average of the RMB central parity in the interbank foreign exchange market announced by the PBoC for the five working days (including the date of the Annual General Meeting) before declaration of dividend distribution at the 2021 Annual General Meeting. The registration of transfers of Domestic Shares and H Shares of the Bank will be closed from Thursday, June 16, 2022 to Tuesday, June 21, 2022 (both days inclusive). If the holders of H Shares of the Bank want to obtain the final dividend of 2021 but have not registered the transfer documents, the said holders shall submit the transfer documents together with the relevant share certificates to our H Share Registrar, namely Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong at or before 4:30 p.m. on Wednesday, June 15, 2022.

For the year ended December 31, 2021, the Bank was not aware of any shareholder who has waived or agreed to waive any dividend arrangement.

Directors' Report

The Bank had no plan for conversion of capital reserve into share capital in the past three years. The cash dividend on ordinary shares in the past three years is as follows:

	2018	2019	2020
Cash dividend (tax inclusive, in millions of RMB)	486.8	642.3	583.9
Percentage in the annual profit (%)	36.98	43.23	37.36

Date of the 2021 Annual General Meeting and Closure of Registration of Share Transfer

The Bank planned to hold the 2021 Annual General Meeting on Friday, June 10, 2022. For the purpose of determining shareholders who have the right to attend and vote at the 2021 Annual General Meeting, the register of H Shares of the Bank will be closed from Tuesday, June 7, 2022 to Friday, June 10, 2022 (both days inclusive). The holders of H Shares of the Bank who intend to attend and vote at the 2021 Annual General Meeting shall submit all the transfer documents together with the relevant share certificates to our H Share Registrar, namely Computershare Hong Kong Investor Services Limited located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong before 4:30 p.m. on Monday, June 6, 2022. Shareholders registered on our share register as at the close of business on Monday, June 6, 2022 shall be entitled to attend and vote at the 2021 Annual General Meeting.

RELATIONSHIP BETWEEN THE BANK AND ITS CUSTOMERS

The Bank is the only listed provincial city commercial bank in Shanxi Province. We have established an extensive business network covering Shanxi Province that fully penetrated into regions with strong economic growth. As of December 31, 2021, we had a business network comprising 162 outlets that covered all 11 prefecture-level cities in Shanxi Province. Capitalizing on our deep knowledge on the local economy and leveraging policies promulgated by PRC Government in recent years promoting industry upgrade and economic transformation in Shanxi Province, we strategically expanded into industries that enjoy strong business prospect. In particular, we invested in capturing opportunities arising from industries and businesses encouraged by favorable policies, including the consolidation and upgrade of coal-related industries, the integration of coal and power industries as well as the new material industries, and the development of advanced manufacturing and tourism industries that focus on products and services with unique features and advantages.

Following policies of PRC Government encouraging financial services supporting the real economy, particularly micro and small enterprises, we launched a series of loan products based on the fund needs and business features of micro and small enterprises that are well-recognized by the market, including "Government Procurement Loan (政採貸)", "Yi Bao Dui (醫保兌)" and "Pledged Note Loans (質票貸)".

In 2021, we were ranked 386th among the "Top 1000 World Banks" in terms of tier-one capital as of December 31, 2020 by The Banker.

KEY RISKS FACING THE BANK

For key risks facing the Bank during the Reporting Period, please see "Management Discussion and Analysis – 9 Risk Management".

Directors' Report

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

For significant events of the Bank subsequent to the end of the Reporting Period, please refer to “Important Matters – Significant Events Subsequent to the End of the Reporting Period”.

FUTURE DEVELOPMENT

A review on aspects affecting the future development of the Bank is set out in “Management Discussion and Analysis – Business Overview and Development Strategies”.

ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS DURING THE YEAR

For details, please refer to the sections headed “Summary of Five-Year Accounting Data and Financial Indicators” and “Management Discussion and Analysis” of this annual report.

SHARE CAPITAL

For details of the Bank’s share capital, please refer to “Changes in Share Capital and Information of Shareholders – I. Changes in Share Capital”.

PREEMPTIVE RIGHT

The Articles of Association and relevant PRC laws have no provisions on granting the preemptive right to the shareholders of the Bank. According to the Articles of Association, the Bank may increase its capital as follows in the light of its business and development needs, in accordance with laws, administrative regulations, and rules governing securities of the place where shares of the Bank are listed, resolutions made at the shareholders’ general meeting and upon approval by relevant competent authorities of the State: public offering of shares; non-public offering of shares; placing new shares to existing shareholders; distributing new shares to existing shareholders; transferring reserve funds to increase share capital; other methods stipulated by laws, administrative regulations and permitted by relevant competent authorities of the State. The Bank’s increase of capital by issuing new shares shall be conducted in accordance with the procedures provided in relevant laws, administrative regulations, rules governing securities of the place where shares of the Bank are listed, after being approved according to the Articles of Association.

SUBSTANTIAL SHAREHOLDERS

Please refer to “Changes in Share Capital and Information of Shareholders – II. Information of Shareholders” for details of the Bank’s substantial shareholders at the end of the Reporting Period.

DONATIONS

The charitable donations and other donations made by the Bank for the year ended December 31, 2021 amounted to RMB0.66 million.

PROPERTY AND EQUIPMENT

Details of changes in the property and equipment of the Group for the year ended December 31, 2021 are set out in Note 23 to the financial statements of this annual report.

Directors' Report

CHANGES IN RESERVES

Details of changes in the Group's reserves for the year ended December 31, 2021 are set out in the consolidated statement of changes in equity in the financial statements.

RESERVES AVAILABLE FOR DISTRIBUTION

The Group's reserves available for distribution as of December 31, 2021 were RMB2,747.6 million.

RETIREMENT BENEFITS

For details of retirement benefits provided to employees of the Bank, please refer to Note 31(a) to the financial statements of this annual report.

MAJOR CUSTOMERS

As at the end of the Reporting Period, the balance of the Bank's loans to any single borrower did not exceed 10% of the Bank's net capital. As at the end of the Reporting Period, the five largest depositors of the Bank accounted for less than 30% of total deposits and the five largest borrowers accounted for less than 30% of total loans and advances to customers. None of the Directors of the Bank and their close associates or any shareholder which to the knowledge of the Directors owns more than 5% of the number of issued shares of the Bank had any interest in the said five largest customers.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

For the biographical information of the members of the Board of Directors of the Bank and the changes of Directors during the Reporting Period, please refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

The Bank has entered into a service contract with each of its Directors and Supervisors in respect of, among other things, compliance with relevant laws and regulations, observation of the Articles of Association and provisions on arbitration. During the Reporting Period, none of the Directors or Supervisors of the Bank had any service contract that shall be made with compensation by the Bank upon its termination within one year (other than statutory compensation).

PERMITTED INDEMNITY PROVISIONS

Pursuant to Article C.1.8 of the Code provisions, the Bank should purchase appropriate insurance covering potential legal proceedings against the Directors of the Bank. To comply with the Code provisions, the Bank had purchased appropriate liability insurance for the Directors to provide indemnity against the liabilities incurred in the corporate activities for the year ended December 31, 2021.

Except as disclosed above, during the Reporting Period and up to the date of this annual report, there were no permitted indemnity provision in favour of any Director or Supervisor (whether or not entered into by the Bank or otherwise) or any Director or Supervisor of an associated corporation of the Bank (if entered into by the Bank).

Directors' Report

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

The Bank did not enter into any significant transaction, arrangement or contract where Directors and/or Supervisors of the Bank or its subsidiaries (or connected entity of Directors and/or Supervisors) directly or indirectly held material interests for the year ended December 31, 2021.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

MANAGEMENT CONTRACT

Except for service contracts entered into with the management of the Bank, the Bank has not entered into any other contracts with any individual, company or body corporate regarding the management or handling of the whole or any significant part of any business of the Bank.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS IN SHARES OF THE BANK

As at the end of the Reporting Period, none of the Directors, Supervisors and chief executive of the Bank and their associates has any interests and short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Bank and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code in Appendix 10 to the Hong Kong Listing Rules.

CORPORATE GOVERNANCE

The Bank is committed to maintaining a high level of corporate governance. Please refer to the "Corporate Governance Report" in this annual report.

PUBLIC FLOAT

Based on information that is publicly available to the Bank and within the knowledge of the Directors, as of the date of this annual report, the Bank has maintained sufficient public float in compliance with the minimum requirement of Hong Kong Listing Rules and the waiver granted by the Hong Kong Stock Exchange after the listing of the Bank.

Directors' Report

CONNECTED TRANSACTIONS

The Bank provided commercial banking services and products to members of the public in China in its ordinary and usual course of business, including substantial shareholders, certain Directors and Supervisors, the president and/or their respective associates. Each of the above persons is a connected person of the Bank under Hong Kong Listing Rules. As these transactions are entered into on normal commercial terms in the ordinary and usual course of the business of the Bank, such transactions are exempt from the reporting, annual review, disclosure and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Group and Jinyang Asset Management Co., Ltd. (晉陽資產管理股份有限公司) (“**Jinyang Asset Management**”) signed five transfer agreements relating to the disposal of creditor's rights (“Agreements on Transfer of Creditor's Rights”) during the Reporting Period. Jinyang Asset Management was a non-wholly owned subsidiary of SSCO and was indirectly held 66% equity interest by SSCO. SSCO is a substantial shareholder of our Bank, thus Jinyang Asset Management is an associate of SSCO and a connected person of the Group under Chapter 14A of the Hong Kong Listing Rules. Pursuant to Rule 14A.81 of Chapter 14A of the Hong Kong Listing Rules, given that such Agreements on Transfer of Creditor's Rights are all signed between the Group and Jinyang Asset Management, transactions proposed thereunder need to be aggregated for calculation. Due to one or more of the applicable percentage ratios (as defined in the Hong Kong Listing Rules) for the transactions proposed under the Agreements on Transfer of Creditor's Rights exceed(s) 0.1% but is/are less than 5% in terms of the aggregate amount in 2021, such transactions proposed under the Agreements on Transfer of Creditor's Rights are subject to the requirements of reporting and announcement under Chapter 14A of the Hong Kong Listing Rules, but are exempted from the independent shareholders' approval requirements. Pursuant to the Agreements on Transfer of Creditor's Rights, the Group transferred the relevant creditor's assets to Jinyang Asset Management. The creditor's assets under the Agreements on Transfer of Creditor's Rights constitute the non-performing assets of the Group, involving a relatively large amount and multiple stakeholders and creditors. By selling these non-performing assets, the Group can reduce the amount of its non-performing assets. All such creditor's rights assets are transferred via public tender processes held by Shanxi Property Right Exchange Center following its procedures. Participants to the public tender processes should submit all required documents and pay a certain amount as deposit to Shanxi Property Right Exchange Center. The Group then enters into a creditor's rights transfer agreement with the one which offers the highest price and if there is only one participant, with such participant. The proceeds from the transfers were used to make up the Group's losses on such creditors' rights assets so as to decrease the amount of the Group's non-performing loans and to promote the high-quality and sustainable development of the Group.

The following table sets out the main information of these Agreements on Transfer of Creditor's Rights. For details, please refer to the announcement issued by the Bank on April 21, 2022.

No.	Transaction date	Transaction parties	Transaction consideration and terms
1.	March 31, 2021	Qingxu Village and Township Bank (as transferor); and Jinyang Asset Management (as the transferee)	The consideration was RMB29.00 million, which was determined through public tender based on the basic price set by Qingxu Village and Township Bank. The basic price is determined by Qingxu Village and Township Bank pricing team with reference to the assessment of such assets by independent valuers. Jinyang Asset Management shall make a one-time payment of the consideration (offset the paid deposit) to the designated account of Shanxi Property Right Exchange Center within three business days after the public tender.

Directors' Report

No.	Transaction date	Transaction parties	Transaction consideration and terms
2.	May 31, 2021	Qingxu Village and Township Bank (as the transferor); and Jinyang Asset Management (as the transferee)	The consideration was RMB9.41 million, which was determined through public tender based on the basic price set by Qingxu Village and Township Bank . The basic price is determined by Qingxu Village and Township Bank pricing team with reference to the assessment of such assets by independent valuers. Jinyang Asset Management shall make a one-time payment of the consideration (offset the paid deposit) to the designated account of Shanxi Property Right Exchange Center within five business days after signing of the Agreement on Transfer of Creditor's Rights.
3.	June 29, 2021	Qingxu Village and Township Bank (as the transferor); and Jinyang Asset Management (as the transferee)	The consideration was RMB15.70 million, which was determined through public tender based on the basic price set by Qingxu Village and Township Bank . The basic price is determined by Qingxu Village and Township Bank pricing team with reference to the assessment of such assets by independent valuers. Jinyang Asset Management shall make a one-time payment of the consideration (offset the paid deposit) to the designated account of Shanxi Property Right Exchange Center within five business days after signing of the Agreement on Transfer of Creditor's Rights.
4.	October 28, 2021	Taiyuan Shuiximen Sub-branch of the Bank (as the transferor); and Jinyang Asset Management (as the transferee)	The consideration was approximately RMB70.61 million, which was determined through public tender based on the basic price set by the Bank. The basic price is determined by the Bank's non-performing asset disposal pricing team with reference to the assessment of such assets by independent valuers. Jinyang Asset Management shall make a one-time payment of the consideration to the designated account of Shanxi Property Right Exchange Center within three business days after signing of the Agreement on Transfer of Creditor's Rights, and Shanxi Property Right Exchange Center shall remit the same to the designated account of Taiyuan Shuiximen Sub-branch of the Bank in immediately available funds on the same day when it receives the full consideration from Jinyang Asset Management.

Directors' Report

No.	Transaction date	Transaction parties	Transaction consideration and terms
5.	October 28, 2021	Taiyuan Pingyang Road Sub-branch of the Bank (as the transferor); and Jinyang Asset Management (as the transferee)	The consideration was approximately RMB105.37 million, which was determined through public tender based on the basic price set by the Bank. The basic price is determined by the Bank's non-performing asset disposal pricing team with reference to the assessment of such assets by independent valuers. Jinyang Asset Management shall make a one-time payment of the consideration to the designated account of Shanxi Property Right Exchange Center within three business days after signing of the Agreement on Transfer of Creditor's Rights, and Shanxi Property Right Exchange Center shall remit the same to the designated account of Taiyuan Pingyang Road Sub-branch of the Bank in immediately available funds on the same day when it receives the full consideration from Jinyang Asset Management.

CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, the Bank complied with the reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules in respect of certain non-exempt continuing connected transactions. The table below sets forth the information of these continuing connected transactions.

No.	Continuing connected transactions	Connected persons	2021 annual caps (in thousands of RMB)	2021 actual transaction amounts (in thousands of RMB)
(1)	Fee- and commission-based products or services between the Bank and Huaneng Capital Service and its associates	Huaneng Capital Service Co., Ltd. (" Huaneng Capital Service ") and its associates	Investment amount: Great Wall Securities Asset Management Schemes 2,840,000.00 Huaneng Guicheng Trust Schemes 2,500,000.00 IGWFM Schemes 3,500,000.00 GWFM Schemes 3,500,000.00 Total: 12,340,000.00	Investment amount: Great Wall Securities Asset Management Schemes 1,378,374.80 Huaneng Guicheng Trust Schemes 101,900.00 IGWFM Schemes – GWFM Schemes – Total: 1,480,274.80

Directors' Report

Continuing connected No. transactions	Connected persons	2021 annual caps (in thousands of RMB)	2021 actual transaction amounts (in thousands of RMB)
		Fees and commissions received by the Bank: Great Wall Securities Asset Management Schemes 127,800.00	Fees and commissions received by the Bank: Great Wall Securities Asset Management Schemes 55,976.76
		Huaneng Guicheng Trust Schemes 112,500.00	Huaneng Guicheng Trust Schemes 4,840.18
		IGWFM Schemes 140,100.00	IGWFM Schemes 12,263.34
		GWFM Schemes 140,100.00	GWFM Schemes 6,200.25
		Other fees and commissions 49,500.00	Other fees and commissions 10,155.17
		Total: 570,000.00	Total: 89,435.70
		Fees and commissions paid by the Bank: Great Wall Securities Asset Management Schemes 4,300.00	Fees and commissions paid by the Bank: Great Wall Securities Asset Management Schemes 2,560.61
		Huaneng Guicheng Trust Schemes 3,800.00	Huaneng Guicheng Trust Schemes 448.44
		IGWFM Schemes 16,500.00	IGWFM Schemes 846.64
		GWFM Schemes 16,500.00	GWFM Schemes 288.88
		Other fees and commissions 12,900.00	Other fees and commissions 4,309.09
		Total: 54,000.00	Total: 8,453.66

Directors' Report

No.	Continuing connected transactions	Connected persons	2021 annual caps (in thousands of RMB)	2021 actual transaction amounts (in thousands of RMB)
(2)	Fee- and commission-based products and services to SSCO and its associates	Shanxi State-owned Capital Operation Co., Ltd. (formerly known as Shanxi State-owned Capital Investment and Operation Co., Ltd.) (" SSCO ") and its associates	Fees and commissions from the provision of fee- and commission-based products and services to SSCO and its associates: 285,000.00	Actual fees and commissions from the provision of fee- and commission-based products and services to SSCO and its associates: 149,771.30
(3)	Fee- and commission-based products and services between the Bank and Shanxi Financial Holding and its associates	Shanxi Financial Investment Holding Group Co., Ltd. (" Shanxi Financial Holding ") and its associates	Fees and commissions from the provision of fee- and commission-based products and services to Shanxi Financial Holding and its associates: 73,000.00	Actual fees and commissions from the provision of fee- and commission-based products and services to Shanxi Financial Holding and its associates: 198.88
			Fees and commissions charged by Shanxi Financial Holding and its associates for the provision of fee- and commission-based products and services to the Bank: 12,000.00	Actual fees and commissions charged by Shanxi Financial Holding and its associates for the provision of fee- and commission-based products and services to the Bank: -
(4)	Fee- and commission-based products and services to Changzhi Nanye and its associates	Changzhi Nanye Industry Group Co., Ltd. (" Changzhi Nanye ") and its associates	Fees and commissions from the provision of fee- and commission-based products and services to Changzhi Nanye and its associates: 60,000.00	Actual fees and commissions from the provision of fee- and commission-based products and services to Changzhi Nanye and its associates: 6,390.40

Directors' Report

1. Fee- and commission-based products or services between the bank and huaneng capital service and its associates

In the ordinary and usual course of business, we participate in the asset management schemes (“**Great Wall Securities Asset Management Schemes**”) launched by Great Wall Securities Co., Ltd. (長城證券股份有限公司) (“**Great Wall Securities**”) and also participate in the collective trust schemes (“**Huaneng Guicheng Trust Schemes**”) launched by Huaneng Guicheng Trust Corp., Ltd. (華能貴誠信託有限公司) (“**Huaneng Guicheng Trust**”). To comply with the requirements of the Hong Kong Listing Rules, we entered into the Huaneng Framework Agreement (the “**Original Huaneng Framework Agreement**”) with Huaneng Capital Service on June 24, 2019 to cover both the Great Wall Securities Asset Management Schemes and Huaneng Guicheng Trust Schemes. The Original Huaneng Framework Agreement was valid until December 31, 2021, unless terminated earlier in accordance with the terms of the agreement. In addition to the Great Wall Securities Asset Management Schemes and the Huaneng Guicheng Trust Schemes, (1) since 2020, the Bank also participated in the Fund Management Schemes (“**IGWFM Schemes**”) launched by Invesco Great Wall Fund Management Co., Ltd. (“**Invesco Great Wall Fund**”) and the Fund Management Schemes (“**GWFM Schemes**”) launched by Great Wall Fund Management Co., Ltd. (“**Great Wall Fund**”); (2) the Bank provided fee- and commission-based products and services to Huaneng Capital Service and its associates, mainly including bank acceptance bills, settlement services, debt securities underwriting and distribution, direct banking services and fund/trust product distribution services; and (3) Huaneng Capital Service and its associates provided fee- and commission-based products and services to the Bank, mainly including Yuncheng Payment, a service fee based on a fixed fee rate, to be paid by the Bank to Yuncheng Financial Services for its “An Xin Fu” series of wealth management products on a mobile application developed and managed by Yuncheng Financial Services. Based on the cooperation status, market environment, further cooperation and other reasons, the Bank expects that the amount of money involved in products or services from Huaneng Capital Service and/or its associates is higher than original estimates, and may exceed the original annual caps of the relevant years set forth in the Original Huaneng Framework Agreement. Accordingly, we signed a Financial Products and Services Framework Supplemental Agreement with Huaneng Capital Service on March 26, 2020 (hereinafter referred to as the “**Huaneng Framework Supplemental Agreement**”). Given the impending expiry of the Original Huaneng Framework Agreement and the Huaneng Framework Supplemental Agreement, on October 19, 2021, the Bank entered into a new Huaneng Framework Agreement with Huaneng Capital Service for a term of three years from January 1, 2022 to December 31, 2024, renewable subject to mutual agreement and compliance with the Listing Rules. Accordingly, the Bank will continue to participate in the above transactions with Huaneng Capital Services and its associates.

Huaneng Capital Service, a substantial shareholder of our Bank, is a connected person of our Bank. Huaneng Capital Service held 46.38% equity interest in Great Wall Securities. Thus, Great Wall Securities is an associate of Huaneng Capital Service and a connected person of our Bank. Huaneng Capital Service held 67.92% equity interest in Huaneng Guicheng Trust. Thus, Huaneng Guicheng Trust is an associate of Huaneng Capital Service and a connected person of our Bank. Invesco Great Wall Fund is held as to 49.00% by Great Wall Securities and Great Wall Fund is held as to 47.06% by Great Wall Securities.

The 2021 actual transaction amounts between the Bank and Huaneng Capital Service and its associates were lower than the 2021 annual caps, primarily because the scale of investments was affected by the following factors: (1) since 2020, due to the impact of the COVID-19 and in order to maintain steady economic growth, the monetary policy of the central bank continued to be relatively loose, and the yields on the relevant underlying assets showed a downward trend. In this environment, the yields of the relevant investments were also affected to a certain extent, therefore, the Bank's relevant investments decreased compared with the previous period since 2020; (2) the Bank's new fund subscriptions in 2021 were mainly for monetary funds and the returns of the monetary fund products provided by the two fund companies of Huaneng Capital Service failed to meet the expected returns of the Bank's investments; and (3) the scale of the Bank's agency sales of relevant net worth trust assets and public funds decreased, resulting in a corresponding decrease in the income from intermediary business.

Directors' Report

Principal terms

In accordance with the Original Huaneng Framework Agreement and Huaneng Framework Supplemental Agreement, parties shall sign a specific fee- and commission-based products and services agreement for each actual transaction on the basis of the terms of the framework agreement. The transactions will be conducted in the ordinary and usual course of business of the Bank on normal commercial terms in compliance with the applicable laws and regulations and industry practices.

Implications under the Hong Kong Listing Rules

As the highest applicable percentage ratio based on the relevant annual caps for Huaneng Framework Supplemental Agreement, is expected to be more than 5%, these transactions are subject to the announcement, reporting, annual review requirements and the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. At the 2019 annual general meeting held on June 9, 2020, the independent Shareholders of the Bank approved the Huaneng Framework Supplemental Agreement, transactions proposed thereunder and the annual caps related to such transactions for the financial years ended December 31, 2020 and 2021.

As for the new Huaneng Framework Agreement, as the highest applicable percentage ratio based on the relevant annual caps is expected to be more than 5%, these transactions are subject to the announcement, reporting, annual review requirements and the independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. At the 2021 first extraordinary general meeting held on December 16, 2021, the independent Shareholders of the Bank approved the new Huaneng Framework Agreement, transactions proposed thereunder and the annual caps related to such transactions for the three years ended December 31, 2022, 2023 and 2024.

2. Providing fee- and commission-based products and services to SSCO and its associates

We entered into a financial products and services framework agreement (the “**SSCO Financial Products and Services Framework Agreement**”) with SSCO on June 24, 2019 for providing fee- and commission-based products and services to SSCO and its associates in the ordinary and usual course of business. The SSCO Financial Products and Services Framework Agreement was valid until December 31, 2021, unless terminated earlier in accordance with the agreement. Based on the cooperation status, market environment, further cooperation and other reasons, we expect the amount for the provision of financial products or services to SSCO and/or its associates to increase from the original estimates, which may exceed the original annual caps during the years set forth in the SSCO Financial Products and Services Framework Agreement. Therefore, we signed a Financial Products and Services Framework Supplemental Agreement, which was a supplemental agreement to the SSCO Financial Products and Services Framework Agreement, with SSCO on March 26, 2020 (hereinafter referred to as the “**SSCO Framework Supplemental Agreement**”). Given the impending expiry of the SSCO Financial Products and Services Framework Agreement and the SSCO Framework Supplemental Agreement, on October 19, 2021, we entered into a new SSCO Framework Agreement with SSCO for a term of three years from January 1, 2022 to December 31, 2024, renewable subject to mutual agreement and compliance with the Listing Rules.

SSCO, a substantial shareholder of our Bank, thus is a connected person of our Bank.

The 2021 actual transaction amount between the Bank and SSCO and its associates was lower than the 2021 annual cap, primarily due to the decrease in the bank acceptance bill business and debt securities underwriting and distribution business: (1) during the epidemic period, there was a fee reduction policy for the Bank's acceptance bill business. In addition, the Bank adjusted the pricing of the bank acceptance bills, which resulted in a decrease in the profit of the bank acceptance bill business and a decrease in the volume of the Bank's acceptance bill business in 2021; and (2) as affected by regulatory policy adjustments, the scale of the Bank's self-operated non-standardized debt asset investment business and its direct banking business gradually declined, leading to an impact on the income growth of the resulting intermediary business, of which the income from intermediary business involving SSCO and its associates also failed to reach the expected growth rate consequently.

Directors' Report

Principal terms

We provide fee- and commission-based products and services to SSCO and its associates in the ordinary and usual course of business. Parties shall sign a specific fee- and commission-based products and services agreement for each actual transaction on the basis of the SSCO Financial Products and Services Framework Agreement and SSCO Framework Supplemental Agreement. The terms and conditions of such products and services shall be specified on fair and reasonable and normal commercial terms after arm's length negotiations.

Implications under the Hong Kong Listing Rules

As the highest applicable percentage ratio based on the relevant annual caps for SSCO Framework Supplemental Agreement, is expected to be more than 5%, these transactions are subject to the announcement, reporting, annual review requirements and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. At the 2019 annual general meeting held on June 9, 2020, the independent Shareholders of the Bank approved the SSCO Framework Supplemental Agreement, transactions proposed thereunder and the annual caps related to such transactions for the financial years ended December 31, 2020 and 2021.

As for the new SSCO Framework Agreement, the highest applicable percentage ratio based on the relevant annual caps is expected to be more than 5%, these transactions are therefore subject to the announcement, reporting, annual review requirements and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. At the 2021 first extraordinary general meeting held on December 16, 2021, the independent Shareholders of the Bank approved the new SSCO Framework Agreement, transactions proposed thereunder and the annual caps related to such transactions for the three years ended December 31, 2022, 2023 and 2024.

3. Fee- and commission-based products and services between the Bank and Shanxi Financial Holding and its associates

The Bank entered into a financial products and services framework agreement (the "**Shanxi Financial Holding Financial Products and Services Framework Agreement**") with Shanxi Financial Holding on March 26, 2020, and provided fee- and commission-based products and services to Shanxi Financial Holding and its associates. The Shanxi Financial Holding Financial Products and Services Framework Agreement will be valid until December 31, 2022, unless terminated earlier in accordance with the agreement.

As of June 7, 2021, Shanxi Financial Holding held 715,109,200 domestic shares of the Bank (accounting for 12.25% of the total shares of the Bank), being a substantial shareholder of our Bank, thus was a connected person of our Bank. On December 28, 2020, the CBIRC Shanxi Office approved Shanxi Finance Bureau to become the shareholder of the Bank. Shanxi Financial Holding gave all its domestic shares to the Shanxi Finance Bureau for nil consideration. On June 8, 2021, after the registration of such share transfer was completed, the Shanxi Finance Bureau became the shareholder and held 715,109,200 domestic shares of the Bank. Hence, Shanxi Financial Holding was not a connected person of our Bank any more since June 8, 2021. These transactions between the Bank and Shanxi Financial Holding did not form part of the connected transactions under Chapter 14A of the Hong Kong Listing Rules.

Principal terms

The Bank provides fee- and commission-based products and services to Shanxi Financial Holding and its associates in the ordinary and usual course of business. Parties separately sign specific fee- and commission-based products and services agreement for each actual transaction based on the Shanxi Financial Holding Financial Products and Services Framework Agreement. Such specific fee- and commission-based products and services agreement will be entered into in the ordinary and usual course of business of the Bank on normal commercial terms.

Directors' Report

Implications under the Hong Kong Listing Rules

As the highest applicable percentage ratio based on the relevant annual caps for Shanxi Financial Holding Financial Products and Services Framework Agreement, is expected to be more than 0.1%, but all are less than 5%, these transactions are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, while exempt from independent shareholders' approval requirements.

4. Fee- and commission-based products and services to Changzhi Nanye and its associates

The Bank entered into a financial products and services framework agreement (the “**Changzhi Nanye Financial Products and Services Framework Agreement**”) with Changzhi Nanye on March 26, 2020, and provided fee- and commission-based products and services to Changzhi Nanye and its associates. The Changzhi Nanye Financial Products and Services Framework Agreement will be valid until December 31, 2022, unless terminated earlier in accordance with the agreement.

Changzhi Nanye, a substantial shareholder of our Bank, thus is a connected person of our Bank.

The 2021 actual transaction amount between the Bank and Changzhi Nanye and its associates was lower than the 2021 annual cap, primarily because during the epidemic period, there was a fee reduction policy for the Bank's acceptance bill business, and the Bank adjusted the pricing of the bank acceptance bills, which resulted in a decrease in the profit of the bank acceptance bill business and a decrease in the volume of the Bank's acceptance bill business in 2021.

Principal terms

The Bank provides fee- and commission-based products and services to Changzhi Nanye and its associates in ordinary and usual course of business. Parties separately sign specific fee- and commission-based products and services agreement for each actual transaction on the basis of the terms of the Changzhi Nanye Financial Products and Services Framework Agreement. Such specific fee- and commission-based products and services agreement will be entered into in the ordinary and usual course of business of the Bank on normal commercial terms.

Implications under the Hong Kong Listing Rules

As the highest applicable percentage ratio based on the relevant annual caps for Changzhi Nanye Financial Products and Services Framework Agreement, is expected to be more than 0.1%, but all are less than 5%, these transactions are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, while exempt from independent shareholders' approval requirements.

5. Confirmation of the independent non-executive Directors

The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that those transactions have been entered into:

- a. in the ordinary and usual course of business of the Bank;
- b. on normal commercial terms or better; and
- c. according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders as a whole.

Directors' Report

6. Confirmation of the auditor

According to Rule 14A.56 of the Hong Kong Listing Rules, the Board has engaged Ernst & Young, the overseas auditor of the Bank, to perform a limited assurance engagement for the above continuing connected transactions in accordance with the Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). The Board confirms that the auditor has reported the results after performing the procedures, stating that:

- a. nothing has come to the auditor's attention that causes it to believe that the continuing connected transactions have not been approved by the Bank's Board of Directors;
- b. for transactions involving the provision of services by the Bank, nothing has come to the auditor's attention that causes it to believe that the transactions were not conducted, in all material respects, in accordance with the pricing policies of the Bank;
- c. nothing has come to the auditor's attention that causes it to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditor's attention that causes it to believe that the continuing connected transactions have exceeded the annual cap for 2021 that the Bank has applied for.

The details of the related party transactions conducted by the Bank in the ordinary and usual course of business during the Reporting Period are set out in Note 37 to the financial statements. The definition of a connected person under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, "Related Party Disclosures" and its interpretations by the International Accounting Standards Board. Among the transactions between the Bank and other related parties as disclosed in Note 37(b)(iv), "financial investment" include the fund management plan issued by associates of Huaneng Capital Services Co., Ltd, of which the Bank is a participant. These transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. "Fee and commission income" consists of fee- and commission-based products and services provided by the Bank to associates of Huaneng Capital Services Co., Ltd., SSCO, Shanxi Financial Holding and Changzhi Nanye. These transactions constitute continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules. Save as disclosed in this annual report, during the Reporting Period, the connected transactions of the Bank were entered into in the ordinary course of business and on normal commercial terms, and were in compliance with the disclosure exemption requirement under the Hong Kong Listing Rules.

With respect to the continuing connected transactions above, the Bank confirms that it has complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

Directors' Report

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

The Bank provides emoluments to executive Directors, employee representative Supervisors and senior management members, who are also employees of the Bank, in the form of salaries, bonuses, social security plans, housing provident fund plans and other benefits. The independent non-executive Directors and external Supervisors of the Bank receive remuneration based on their responsibilities. For details of the emoluments of Directors and Supervisors, please refer to Note 9 to the financial statements of this report.

The Bank strictly implements relevant regulatory requirements on the payment of remuneration. The Bank evaluates senior management according to Administration Measures for the Compensation of Principal of Shanxi Provincial State-owned Local Financial Enterprises 《山西省省屬國有地方金融企業負責人薪酬管理辦法》, Administration Interim Measures on Staff Ranking and Compensation of Jinshang Bank Co., Ltd. 《晉商銀行股份有限公司員工行員等級及薪酬管理暫行辦法》 and other relevant provisions issued by Shanxi Provincial Finance Department and the Bank's Annual Senior Management Assessment Measures and provides executive Directors and senior management with compensation based on the evaluation results.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

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

TAX RELIEF

Withholding and payment of enterprise income tax for overseas non-resident enterprises

Pursuant to the applicable provisions of the Enterprise Income Tax Law of the People's Republic of China 《中華人民共和國企業所得稅法》 and its implementation regulations, the Bank shall withhold and pay enterprise income tax at the rate of 10% for non-resident enterprise holders of H Shares (including H Shares registered in the name of Hong Kong Securities Clearing Company Nominees Limited).

Withholding and payment of individual income tax for overseas non-resident individual shareholders

Pursuant to the applicable provisions of the Individual Income Tax Law of the People's Republic of China and its implementation provisions, and the Notice of the State Administration of Taxation on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Guo Shui Fa [1993] No. 045 Document, the Bank shall withhold and pay individual income tax for holders of H Shares as follows:

For individual holders of H Shares who are Hong Kong or Macau residents or those whose country of domicile is a country/region which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Bank shall withhold and pay individual income tax at the rate of 10% for individual holders of H Shares when paying the final dividend;

Directors' Report

For individual holders of H Shares whose country of domicile is the country/region which has entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Bank shall temporarily withhold and pay individual income tax at the rate of 10% for individual holders of H Shares when paying the final dividend. If relevant individual holders of H Shares wish to apply for a refund of the excessive amount of tax withheld, the Bank will handle applications on their behalf for preferential treatments as stipulated in relevant tax treaties pursuant to the Tax Notice. Eligible holders of H Shares shall submit promptly to the H Share Registrar of the Bank, Computershare Hong Kong Investor Services Limited, a written authorization and all application materials, which shall be handed on by the Bank to the applicable tax authorities for approval. The Bank will assist in refunding the excessive amount of tax withheld and paid upon approval;

For the individual holders of H Shares whose country of domicile is a country/region which has entered into a tax treaty with the PRC stipulating a dividend rate of more than 10% but less than 20%, the Bank shall withhold and pay individual income tax at the applicable tax rate stipulated in the relevant tax treaty when paying the final dividend; and

For the individual holders of H Shares whose country of domicile is a country/region which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 20%, or a country/region which has not entered into any tax treaties with the PRC, or under any other circumstances, the Bank shall withhold and pay individual income tax at the rate of 20% for individual holders of H Shares when paying the final dividend.

AUDITOR

For information about the Bank's auditor, please refer to the section headed "Corporate Governance Report – External Auditors and their Remunerations".

ISSUANCE OF BONDS

As approved by the PBoC and the CBIRC Shanxi Office, the Bank successfully issued tier-two capital bonds in the national inter-bank bond market on January 20, 2021 and the payment was completed on January 22, 2021. This tranche of bonds totaled RMB2.00 billion with a maturity of ten years at a fixed interest rate and a coupon interest rate of 4.78%. Issuance-related expenses include expenses paid to the lead underwriters, accounting firms, legal firms, rating companies, registrars and depositories with an amount not more than RMB2 million. All funds raised from this tranche of bonds have been used to optimize the matching structure of medium-to-long-term assets and liabilities, increase the source of stable medium-to-long-term liabilities and support the development of new medium-to-long-term asset business in accordance with applicable laws and approvals from regulatory authorities.

HISTORICAL ISSUANCE OF BONDS

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

Directors' Report

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

EQUITY LINKED AGREEMENT

No other equity-linked agreements were entered into by the Bank or existed during the Reporting Period.

On behalf of the Board

HAO Qiang
Chairwoman
Taiyuan, China
March 29, 2022

Report of the Board of Supervisors

I. EVALUATION OF THE BANK'S WORK IN 2021

In 2021, facing the complex economic situation at home and abroad, the Bank focused on safe development, accelerated the pace of transformation and development, and strengthened the quality and efficiency of risk management and control to better complete the various tasks determined by the Board of Directors.

(I) Thoroughly implementing the national economic and financial policies and powerfully and effectively serving the real economy

In 2021, the Bank actively implemented the spirit of the central government and regulatory requirements, and efficiently implemented the important strategic deployment of the province to comprehensively promote high-quality development. The Bank actively supported the key areas, key projects and livelihood projects of the province, strongly supported the reform of state-owned assets and state-owned enterprises in the province, provided loan support for state-owned enterprises in a convenient and efficient manner, and used a variety of financing methods to support the stable and long-term development of enterprises in the province. The Bank continued to promote inclusive finance, launched a number of products such as "Core Upstream and Downstream Credit Loans" and "Stock-pledging Loans for Small and Micro Enterprises" by developing and researching to further meet the various financing needs of small and micro enterprises. By optimizing resource allocation and assessment incentives, the Bank vigorously promoted the release of loans to small and micro enterprises to ensure the "increment, expanded coverage and quality improvement" of inclusive small and micro enterprise loans. Focusing on the effective connection between poverty alleviation and rural revitalization, we explored the mode of financial support for rural revitalization and actively contacted government functional departments and leading agricultural enterprises to fully provide financial support. The Bank continued to strengthen and expand green finance, adhered to integrating the concept of green finance into all aspects of development, promoted the development of green finance from the strategic perspective, formulated the work plan for promoting green finance brands, innovated green finance products, and promoted the green transformation of traditional tools to lead the rapid development of green finance business.

Report of the Board of Supervisors

(II) Benchmarking to promote high-quality development requirements comprehensively to constantly spur business vitality

In accordance with the development requirements of the Bank's third five-year strategic plan determined by the Board of Directors, the senior management actively promoted the orderly and effective development of various key tasks, and continued to deepen the retail business market. We accelerated the construction of a unified view of retail customers, strengthened the strategic management of retail customers, and further enriched the retail product line. Product categories such as wealth management, insurance, funds, private banking, and family trusts have been continuously expanded, and the comprehensive wealth management capability ranked first in the province. We implemented cross-line linkage marketing and intra-line linkage marketing, used the successful experience of one area to drive the work of many areas and considered all aspects (以點帶面、點線面結合), and continued to promote the strategic layout of large-scale retail. We continued to consolidate our business foundation, refined customer management and established customer access system and comprehensive contribution management mechanism to comprehensively explore and enhance customer value. We set up sub-branches with characteristics for government and institutional business, and highlighted the advantages of corporate banking with short chain and quick decision-making to improve the institutional customer management. The Bank strengthened the connection with government functional departments, vigorously improved policy research and industry research capabilities, and formulated corporate credit business marketing guidelines to form a good linkage pattern in which head office gave support and branches conducted implementation. Relying on the "Jinyunlian" supply chain system and the "Jinyuntong" cash management platform, we continued to focus on new product R&D, new team building and new contribution improvement, and constantly expanded new paths for the development of trade finance business. We continued to give full play to the advantages of characteristic business, accelerated the building of credit card brand influence, and strengthened technological empowerment to gradually build a credit card ecosystem of our Bank. We accelerated the plan of scenario financial ecology, continued to upgrade e-banking channels, promoted the construction of convenient payment and cloud payment functions, provided customers with better, faster and higher-quality service experience, and promoted the mobile, scenario-based, open, digital and smart financial services. We continued to promote digital transformation, drove the overall reform of operation and management methods, and improved financial service capabilities and market competitiveness. The Bank strengthened data governance, established a special working group on data governance, and promoted the online operation of the "Management and Decision-making Cockpit" application system to support the effective improvement of data quality of the Bank. The Bank strengthened the building of business technology integration capabilities and independent R&D capabilities, and a number of new products and systems such as supply chain financial service platform, green financial management system and credit risk assessment management system were launched and put into production, supporting the high quality development of the Bank.

Report of the Board of Supervisors

(III) Refine the construction of comprehensive risk management system to safeguard the stability and long-term development of the Bank.

The Bank was able to adhere to the realistic requirements of “safe development” and proactively prevent and control various risks. It continued to optimize the risk management mechanism. The Bank integrated “risk management by the Party” into all works of the Bank, actively explored to promote the Party’s leadership in all links of risk management, proposed to build a management matrix with five systems and eight mechanisms as the main body, and ensured the implementation of “risk management by the Party” from top to bottom and in a consistent manner. It continued its efforts in the recovery of non-performing assets. The Bank established a special class for the recovery of non-performing assets, worked fully with the coordination group for the collection and disposal of non-performing assets in the reform of the city and commercial banks of the province strengthened the special collection and disposal of non-performing assets combining internal and external forces, and insisted on making substantial progress in “overcoming the difficulties in asset quality improvement”. It continued to lay a solid foundation for compliance operation. The Bank conscientiously carried out self-inspection and self-correction on audit issues and the “year of compliance management” campaign, and continued to hold fast to the “three lines of defense” for the prevention and control of risks. It continued to provide training on compliance education to foster a compliance culture throughout the Bank. The Bank insisted on consolidating the idea of safe development. The Bank started a “three-year action for safe development” and worked out specific measures from eight aspects including Party leadership, corporate governance, risk management and compliance operation, to promote the safe development of the Bank.

II. PRINCIPAL WORK OF THE BOARD OF SUPERVISORS IN 2021

2021 is the first year of new five-year plan of Jinshang Bank. With the mission and task of safe development of the whole bank, under the correct leadership of the Provincial Party Committee, the Provincial Government and the Party Committee of the Bank, the Board of Supervisors, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implemented the spirit of the Sixth Plenary Session of the 19th CPC Central Committee and the 12th Provincial Party Congress. We strictly implemented the Company Law, Law of Commercial Banks and other laws and regulations and the relevant provisions of the Articles of Association of the Bank, conscientiously implemented the requirements of regulatory authorities, closely focusing on the task of promoting the construction of corporate governance efficiency of the Bank and the core objectives of risk prevention and control, improved the quality and efficiency of supervision, conducted scientific supervise, and performed duties in a standardized manner to properly complete various tasks and exert the functional role of supervision and service.

Report of the Board of Supervisors

(I) Continue to deepen institutional construction and build a supervisory system for systematic governance.

The Board of Supervisors has always adhered to systematic thinking, continued to deepen the construction in accordance with law, and continued to consolidate the work basis through system construction. In line with the latest regulatory requirements, the Rules of Procedure of the Board of Supervisors of Jinshang Bank Co., Ltd. were revised and improved, the normative guidance and promotion function of the basic system was strengthened, and the construction of the collective rules of procedures of the Board of Supervisors was further strengthened. In light of the requirements of the regulatory authority for strengthening the quality and efficiency of the supervision of the Board of Supervisors in the new era, we revised the duty performance supervision system such as the Measures for Performance Evaluation on Directors of the Board of Supervisors of Jinshang Bank Co., Ltd. and the Measures for Performance Evaluation on Supervisors of the Board of Supervisors of Jinshang Bank Co., Ltd. in a timely manner to include the ideas and requirements of “management of risks by party” into the system innovatively and make precise and meticulous adaptations from the perspective of legal norm construction and specific implementation and feasibility to ensure the integration and linkage of system construction and regulatory policies and improve the institutional foundation for the compliance construction of duty performance. At the same time, we strengthened the performance of the supervisory functions of the Supervisory Committee, actively cooperated with the Board of Directors, and assisted in completing the revision of the Articles of Association efficiently to improve the systematization level of system construction.

(II) Continue to strengthen the construction of supervision mechanism and continuously improve the quality and efficiency of collective decision-making.

The main supervision mode of the Board of Supervisors is supervision through collective discussion at meetings. In the past year, the Board of Supervisors adhered to the combination of problem-orientation, goal-orientation and result-orientation and continuously improved the effect of collective discussions. First, implement the requirements of “focusing on the main points and discussing major issues”. The Board of Supervisors convened 18 on-site meetings and special committee meetings, strictly implemented the “One Core and Two Wings” deliberation and decision-making procedures of the Board of Supervisors to deliberate and vote 81 resolutions and review 34 resolutions. By scientifically arranging the proposals for reviewing and proposal setting, full discussions were made at meetings to ensure the standardization and effectiveness of the proposals for deliberation to promote the professional and efficient supervision of collective deliberations. Second, conscientiously attend Board meetings and strictly implement procedural questioning. The Board of Supervisors carried out dual-line supervision on Board meeting proceedings and directors’ daily performance of duties, arranging supervisors to attend Board meetings as non-voting delegates for seven times and General Meetings for two times in the year to conduct close and whole-process supervision over Board meeting proceedings; the Board of Supervisors carried out key supervision questioning on the performance of duties by directors, and implemented supervision questioning for three times to further convey the seriousness of supervision. Third, strictly implement on-site supervision and inquiry measures. During the collective discussion of the Board of Supervisors, functional departments were arranged to attend the meetings to receive on-site inquiries to promote the close connection of operation management and on-site supervision and continuously improve the pertinence and timeliness of supervision; 26 on-site inquiries were made in the year. Fourth, establish an effective transmission and implementation mechanism. During the year, the Board of Supervisors made feedbacks on 15 aspects to the Board of Directors for seven times in total, and feedbacks on 22 areas to the senior management for seven times in total to further improve the quality and efficiency of supervision.

Report of the Board of Supervisors

(III) Continue to focus on normalized supervision and continuously extend the supervision chain.

Over the past year, the Board of Supervisors has continuously promoted the transformation of supervision to “active, continuous and in-depth supervision” and strengthened the daily supervision over the finance, compliance, risks and consumer rights protection.

First, further implement normalized supervision services. The Board of Supervisors attached importance to the systemic, effective and forward-looking characteristics of supervision, continued to make use of the supervision tool of “Supervision Proposal, Procuratorial Proposal, Judicial Proposal, and Public Security Reminder Letter”, integrated supervision and service, and further specified the requirements of “implementing the functions of the Board of Supervisors”. A total of 6 supervision reminders were issued in the year, involving 10 professional aspects such as compliance management, risk management and control, reputational risk prevention, and liquidity monitoring. Second, further transmit the pressure of strict supervision. The Board of Supervisors carefully studied the focus of supervision, issued five inquiry letters of supervision to the Board of Directors and senior management and carried out “looking back” supervision and inspection on the disposal of non-performing assets to promote the effective improvement of risk management capabilities. Third, further implement joint supervision. The Office of the Board of Supervisors and the Audit Department were required to jointly carry out audit supervision and inspection of the whole bank’s credit business, and to jointly carry out construction and supervision of disposal procedures for non-performing asset with the Compliance Department and the Risk Department to further transmit the pressure of strict supervision. Fourth, further follow up the supervision of key tasks. The Board of Supervisors focused on market concerns and implemented supervision, carried out targeted supervision over liquidity management, anti-money laundering management and consumer rights protection, and continued to support the whole bank to fulfill social responsibilities; the Board of Supervisors carried out supervision over the “Asset Quality Improvement” activity of the Bank and organized supervisors to make discussions and judgments and conduct on-site inquiries and follow-up questioning on the disposal of non-performing assets and potential risk resolution of the whole bank in a timely manner, and issued supervisory opinions and suggestions to serve the safe development of the whole bank. Fifth, carry out research, supervision and inspection. The Board of Supervisors organized the supervision and research on the Bank’s promotion of legal construction and implementation of the optimization and construction of non-performing asset litigation and disposal procedures, and coordinated with the Legal Compliance Department, Risk Management Department and other functional departments, and conducted on-site understanding and interaction with relevant branches to make a special investigation report, supporting to promote the legalization and process construction of the whole bank.

Report of the Board of Supervisors

(IV) Continue to deepen the supervision of key areas and continuously enhancing the quality and effectiveness of corporate governance.

The committee promoted the implementation of comprehensive and strict supervision responsibilities to improve the overall connection and coordination of supervision services. First, it enhanced the quality and effectiveness of duty performance evaluation. Focusing on the key supervision of fidelity, diligence, and compliance duty performance, it improved the duty performance files of each supervisory member, integrated daily supervision into all aspects of duty performance evaluation organically, grasped the duty performance of each subject through multiple channels and methods, and established a working mechanism for information exchange, strong supervision and effective risk control to complete the annual duty performance evaluation of directors, supervisors and senior members with high quality. Second, it improved the quality of duty performance suggestions. By continuing to innovate work measures, and prompting trended focus foreseeably based on the perspective of “risk management by the Party”, it put forward targeted and constructive suggestions, which played a positive role in the prevention of risks in related fields and the rectification of issues. Third, it enhanced the effectiveness of supervisors in performing daily duties. It continued to strengthen exchange and consultation on the development strategies, operation management and risk management and control of the whole bank, enhanced the working quality and effectiveness of special committees, and strengthened the construction of duty performance effectiveness, to further exert the linkage of supervisors’ supervision to provide guarantee for accurate supervision.

(V) Continue to enhance professional construction and improving supervisors’ ability of duty performance.

First, the committee strengthened the construction of supervisors’ ability of duty performance. It established a collective learning mechanism for supervisors, which took the learning of corporate governance institutions and policies from the central, provincial party committees and regulatory authorities as the focus of group meetings and carried out a collective learning in collective discussions, to ensure timely grasp of regulatory policy directions and accurate work arrangements. Second, it strengthened external training exchanges. It continued to build the effectiveness of external training, organized and participated in the training work organized by professional institutions such as the AFCA Financial Academy every year, and continued to improve the quality and effectiveness of learning, so as to strengthen working exchange with the profession, and enhance the professional capacity building of supervisors. Third, it prepared and issued “e-newsletter” regularly. It strengthened the information exchange work with supervisors, and accurately promoted the supervisors’ work. At the same time, it strengthened the transmission of the awareness of diligent and honest administration, to consolidate the responsibility of honest practitioners, and ensure the safe development of the board of supervisors.

Report of the Board of Supervisors

III. DUTY PERFORMANCE SUPERVISION AND EVALUATION REPORT FOR 2021

(I) Evaluation on the performance of duties by the directors for 2021

In the view of the Board of Supervisors, in 2021, the Directors of the Bank was able to conscientiously and diligently perform the various duties entrusted by the Bank's Articles of Association, actively promote the construction of corporate governance, earnestly fulfill the resolutions of the Shareholders' general meeting, actively promote the implementation of the five-year strategic plan, actively participate in major business decisions, keep abreast of the operation and management of the Bank, safeguard the legitimate rights and interests of financial consumers, the Bank and other stakeholders, and actively perform their duties for the high-quality development of the Bank. In accordance with the relevant provisions of the Measures for Performance Evaluation on Supervisors of the Board of Supervisors of Jinshang Bank Co., Ltd., after deliberation by the Board of Supervisors, the evaluation results of the performance of duties by Directors are as follows:

1. Eleven current directors (2 executive Directors, HAO Qiang and ZHANG Yunfei, 4 non-executive Directors, LI Shishan, LIU Chenxing, WANG Jianjun and XIANG Lijun, and 5 independent Directors, JIN Haiteng, SUN Shihu, WANG Liyan, SAI Zhiyi and YE Xiang) were all evaluated as "Competent" in the duty performance evaluation for 2021 by the Board of Supervisors.
2. During the Reporting Period, LI Yang as a non-executive Director and DUAN Qingshan as an independent Director have not obtained the qualification approval from CBIRC Shanxi Office, and the Board of Supervisors has not evaluated the performance of duties of the above two Directors who did not perform their duties with the Bank. The Board of Supervisors has provided feedback to the Board of Directors regarding to the qualifications of Directors, urging the Board to improve the work related to job qualifications as soon as possible to ensure the legality of the performance.

Report of the Board of Supervisors

(II) Evaluation on the performance of duties by the supervisors for 2021

In the view of the Board of Supervisors, in 2021, all the supervisors fully implemented the various decisions and arrangements of the Party Central Committee and the Provincial Party Committee and Government, resolutely implemented the resolutions of the Shareholders' general meeting, performed their supervision responsibilities in a scientific manner, continuously strengthened the responsibility of performing their duties, and carried out the requirements of strict supervision throughout the work. The supervisors strictly abided by laws, regulations and the Bank's Articles of Association, attended the general meeting of shareholders, the meetings of the Board of Supervisors and all special committees in accordance with the law, attended the relevant meetings of the Board of Directors and senior management as required by the Board of Supervisors, actively implemented the work deployment of the Board of Supervisors, continuously promoted the legalization and standardization of duty performance supervision, and further improved their ability and effect of duty performance, and have made positive contributions to steadily improving the quality and efficiency of corporate governance throughout the Bank. All the supervisors paid close attention to the material issues of the Bank, earnestly expressed independent opinions, devoted enough time and energy to perform their duties, practically fulfilled their obligations of fidelity and diligence. The supervisors continued to play the role of the full-time supervision, put forward professional supervision opinions on major matters involving significant related party transactions, profit distribution, nomination, appointment and removal of directors, appointment of senior managers in the course of performing duties, and pay more attention to safeguarding the legitimate rights and interests of minority shareholders and stakeholders of the Bank. The supervisors continued to implement requirements of "risk management by the Party", performed their duties responsibly in supervision, embedded supervision requirements and measures into key business work, effectively performed their supervisory duties, and helped improve the work efficiency of the Board of Supervisors with their solid performance of their duties.

To sum up, in accordance with the provisions of the Measures for Performance Evaluation on Supervisors of the Board of Supervisors of Jinshang Bank Co., Ltd., the Board of Supervisors assessed the performance of duties by eight Supervisors of the Bank in 2021 and the results were all "Competent".

(III) Evaluation on the performance of duties by the senior management members for 2021

In the view of the Board of Supervisors, in 2021, the senior management earnestly implemented the economic and financial policies of the Central Party Committee and the strategic deployment of our province to promote high-quality development in an all-round way, combined with the objectives and requirements of the Bank's "Third Five-Year Development Strategic Plan", steadily promoted safety development, effectively strengthened risk management and control, improved the internal control system, and deepened the quality and efficiency of compliance construction. The objectives and tasks of annual operation and management have been well completed. The members of the senior management consciously abided by the provisions of relevant laws and regulations and the Bank's Articles of Association, earnestly fulfilled their obligations of fidelity and diligence, effectively performed their duties and played a positive role in promoting the high-quality development of the Bank. Six senior management members were all evaluated as "competent" in the duty performance evaluation for 2021 by the Board of Supervisors during the Reporting Period.

Report of the Board of Supervisors

IV. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT MATTERS

(I) Legal and Compliance Operations

During the Reporting Period, the Bank operated in compliance with the Company Law, Commercial Bank Law and the Bank's Articles of Association, and the decision-making procedure was lawful and valid. The directors and senior management of the Bank performed their duties diligently and faithfully, and none of them were found went against any laws and regulations or damaged the interests of the Company in performing their duties.

(II) Authenticity of the Financial Report

During the Reporting Period, the Board of Supervisors conducted a detailed review of the Bank's 2021 annual report. In the view of the Board of Supervisors, the procedure for preparation of the 2021 annual report by the Board of Directors complied with laws, administrative regulations and rules and regulations, and Ernst & Young Hua Ming LLP and Ernst & Young engaged by the Bank audited the 2021 financial report and issued standard unqualified audit report, which gave a true, accurate and complete view of the financial position and the results of operations of the Bank.

(III) Connected Transactions

During the reporting period, the Board of Supervisors did not find any violation of the principle of fairness or damage to the legitimate interests of the Bank, shareholders and other stakeholders.

(IV) Information Disclosure

During the Reporting Period, the Bank was able to conscientiously fulfill its information disclosure obligations as a listed company, continuously enhance the transparency of corporate governance and operation management, improve the completeness and adequacy of information disclosure, and ensure that all shareholders as well as financial consumers have fair access to material information of the Bank.

(v) Implementation of Resolutions at General Meetings of Shareholders

The Board of Supervisors has no objection to the proposals and reports submitted by the Board of Directors of the Bank for consideration at the General Meeting of Shareholders during the year 2021, and has monitored the implementation of the resolutions of the General Meeting of Shareholders, believing that the Board of Directors has earnestly implemented the relevant resolutions of the General Meeting of Shareholders.

Report of the Board of Supervisors

V. PRIORITY WORK AREAS IN 2022

2022 is a critical year for the Bank to implement the “Third Five-Year Development Strategic Plan”, and it is a great responsibility to further promote the effectiveness of corporate governance throughout the Bank and ensure the safe development of the Bank. The general requirements are: follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, thoroughly implement the spirits of the 19th CPC National Congress and the plenary sessions of the 19th Central Committee, implement the deployment requirements of the 12th Party Congress of the province, implement the new development concept and build a new development pattern at the new stage of development, with the goal of realizing the functions of the Supervisory Board, insist on seeking progress in the midst of stability, faithfully perform the supervision function, and strive to build a Supervisory Board work system with our own characteristics, so as to provide strong protection in improving corporate governance mechanism, promoting sound operation of the whole Bank, preventing and resolving financial risks, and serving the safe development of the whole Bank.

(I) Improve political standing, strengthen organization and leadership, and closely revolve around the main line of “supervision”.

The Board of Supervisors, as the specialized supervision agency in corporate governance, shall strengthen the study and understanding of the important instructions and requirements which General Secretary Xi Jinping emphasized on the construction of state-owned enterprises and financial enterprises, at the same time, improve the political standing, deeply comprehend the strategic considerations and the time connotation of strengthen governance supervision in the process of fostering a new development paradigm, and continue to firmly grasp the primary responsibilities of supervision, fully implement the work idea of “focal points, deliberating important events”, and further deepen the understanding of oneself as an important part of corporate governance, therefore playing a quality and efficiency role in supervision.

We should adhere to problem-oriented and goal-oriented, grasp the focus of supervision, continuously improve the mechanism, and deepen the supervision in financial, risk, internal control and compliance performance areas. In terms of financial supervision, it is important to strengthen the supervision of the whole bank’s operation plan arrangement and implementation, and we should continue to provide supervision and reminders in the aspects of financial expense arrangement, risk prevention and asset disposal, give full play to the professional experience of supervisors, especially the financial management experience of shareholder supervisors and form more valuable opinions and suggestions, so as to effectively perform financial supervision duties. In terms of risk supervision, we should conduct supervising the whole bank’s risk areas such as the strategy implementation, risk of management and control mechanisms, and relationship management, continuously pay attention to the fluctuation of credit risk, disposal of non-performing assets and other aspects to further improve the timeliness of risk supervision. In terms of internal control supervision, it is necessary to focus on improving the effectiveness of supervision, we should combine the pre-event, in-process and post-event supervision, and make the re-supervision work runs through financial supervision, risk supervision and compliance supervision, build the bottom line of compliant operation through supervision, so as to urge the whole bank to further establish the concept of compliant operation; therefore, the quality and efficiency of risk compliance governance will be further improved. In terms of performance supervision, we should continue to strengthen the supervision of compliance performance of directors, supervisors and senior managers, make good use of the supervision performance evaluation as a supervision tool, focus on all-round supervision of the “vital few”, and effectively promote the effectiveness of “leading from above”.

Report of the Board of Supervisors

(II) Strengthen capacity building, enhance the capacity to perform duties, and properly build “two teams”.

Re-election will be conducted for the Board of Supervisors in 2022. The Board of Supervisors will strictly implement the re-election procedures and disciplines, and continue to optimize the composition of the Board of Supervisors. Based on the principles of “professional”, “diversified” and “scientific”, the Company will continue to improve the personnel structure of the Board of Supervisors, expand the strength of the office of the Board of Supervisors, and take the opportunity of the re-election of the Board of Supervisors to continuously strengthen the construction of the team, enhance the performance of duties, and ensure effective supervision.

At the level of the Board of Supervisors, first, we will improve the scientific decision-making, promote the supervisors to involve in person, and improve the quality and efficiency of supervision around the strategic development of the whole bank. The work of the Board of Supervisors will be integrated into the business of the whole bank in an all-round way, and the Board of Supervisors will listen to the opinions of all parties in the work and make comprehensive research and judgment to make sure that the decision-making complies with the actual situation. Second, we will improve the ability to deal with emergencies; predicting risks is the premise of preventing risks, and grasping the direction of risks is the key to seeking strategic initiative. We will enhance the risk awareness of supervisors, properly conduct the supervision of risk prevention and control, make plan properly, and take the initiative. Third, we will improve the capacity to perform responsibilities. We will continue to strengthen the implementation of the responsibilities of the Nomination Committee and the Supervision Committee, mobilize the subjective initiative of all supervisors, and strengthen professionalism and specialization to ensure that supervisors are aware of their responsibilities, take responsibility, and perform responsibilities. We will consolidate the pre-emptive responsibilities of special committees and ensure the “One Core and Two Wings” discussion and decision-making process is powerful and effective to further enhance the effect of supervision and risk prevention.

At the level of the office of the Board of Supervisors, the office should play its role as a routine office, focusing on the “prevention” of potential financial risks, the “defusing” of management loopholes and defects, the “governance” of the ideological line of defense, and giving advice on the monitoring of “improvement” of the “rest works” to enhance the role of the office of the Board of Supervisors as an assistant and effectively implement the supervision intention of the Board of Supervisors.

(III) Implement the method of “both regular and specialization” to give full play to the overlap advantages and implement the “three measures” for direct supervision.

Deepen daily supervision. The Board of Supervisors should make good use of the supervision “toolbox”, strengthen the combination of supervision and data governance tasks, and strengthen the performance of functions. Following the principle of “front-line defense, forward-looking governance, front-end control and preliminary disposal”, we will continue to innovate in risk warning, supervision inquiry, and supervision feedback, enrich the connotation of supervision, identify the key points of supervision, improve the pertinence of supervision, effectively form supervision transmission, conduct proper risk prevention, and “normalize” strict supervision. We will conduct flexible research and supervision, giving full play to the subjective initiative of supervisors, selecting topics to carry out special supervision services based on the key points of supervision and the characteristics of business risks of the whole bank, and organizing the special research led by the director of the special committee in the year to realize the “characteristics” of flexible supervision. We will implement “off-site” supervision, improve the application of informatization, focus on multi-aspect and effective supervision and coverage, implement the requirements of “service and efficiency”, smooth the interaction and feedback channels, effectively make up for shortcomings, and strength the weaknesses to boost efficient development.

Report of the Board of Supervisors

(IV) Optimize the connection and linkage mode and exert synergy to realize the supervision integration of “four-party linkage”.

First, we will strengthen the supervision coordination between the special committee of the Board of Supervisors and the special committee of the Board of Directors, give full play to the supervising and leading role of the top-level decision-making supervision, and integrate supervision into the bank-wide governance. Second, we will strengthen the guidance and supervision of the internal audit department and the compliance department by the Board of Supervisors, establish a mechanism of “supervision”, “inquiry” and “service”, so as to promote the management improvement from “parts” to “integral”, and further consolidate the responsibilities of supervision unit. Third, we will strengthen the linkage between the Office of the Board of Supervisors and functional departments such as audit supervision, compliance supervision, and business line supervision to resolve problems from the system and mechanism, promote and realize the implementation of supervision. Meanwhile, through the joint “looking back”, we will promote the effective rectification of problems in a targeted manner. Fourth, we will strengthen the supervision connection between the Board of Supervisors and the external auditor, strengthen information exchange, promote supervision sharing, and realize supervision supplement and synergy to jointly promote the comprehensive and high-quality development of Jinshang Bank.

Important Matters

USE OF PROCEEDS

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

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

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

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

RELATED PARTY TRANSACTIONS AT THE REGULATORY CALIBER OF THE CBIRC

Since 2021, in accordance with the laws, regulations and regulatory provisions, the Bank continued to strengthen the management of related parties, promoted normalized and refined management of related party transactions, intensified the daily monitoring, statistics and analysis of related party transactions, spared no efforts to improve the management level of related party transactions, ensured continuous and effective operation of the management mechanism for related party transactions to support the efficient and healthy development of the Bank's business. During the Reporting Period, each related party transaction between the Bank with related parties was the normal operation activity of the Bank. The Bank's related party transactions were determined according to the general business principle and conducted under the conditions not favorable than those provided to transactions of similar type of non-related parties. The terms of the relevant transactions were fair and reasonable and in the interests of all the shareholders and the Bank as a whole.

According to the Administrative Measures for the Related Party Transactions between the Commercial Banks and their Insiders or Shareholders and the Bank's Administrative Measures for Related Party (Connected) Transactions of the Jinshang Bank Co., Ltd., the Bank did not enter into consistent agreements with related parties during the Reporting Period.

Important Matters

In accordance with regulatory provisions, related party transactions are defined as follows: General related party transaction refers to any single transaction entered into between a commercial bank and a related party with an amount no more than 1% of the commercial bank's net equity, and upon completion of which the balance of the transaction between the commercial bank and such related party is no more than 5% of the commercial bank's net equity. Material related party transaction refers to any single transaction entered into between a commercial bank and a related party with an amount more than 1% of the commercial bank's net equity; or the balance of the transaction between the commercial bank and the related party after the completion of the transaction is more than 5% of the commercial bank's net equity. When calculating the commercial bank's transaction balance with a related natural person, transactions between the commercial bank and close relatives of such related natural person shall be aggregated. When calculating the commercial bank's transaction balance with a related legal person or other organizations, transactions between the commercial bank and any legal persons or other organizations that constitute group of customers of the commercial bank shall be aggregated.

During the Reporting Period, the Bank conducted its daily operating related party transactions with related parties in accordance with regulatory requirements upon the approval of the Board of Directors. The specific transactions are as follows:

Details of Related Party Transactions

Unit: Ten Thousand Yuan

Group name	Name of enterprise to be granted credit	Proposed credit amount approved by the Board of Directors in 2021	Total credit granting	Credit concentration
Jinneng Holdings Group Ltd. (晉能控股集團有限公司)	Jincheng Jinsheng Mineral Resources Resource Investment Co., Ltd. (山西晉煤集團晉聖礦業投資有限公司)	5,000.00	5,000.00	0.19%
	Shanxi Jinxiang Coal Chemical Co., Ltd. (山西金象煤化工有限責任公司)	16,900.00	16,900.00	0.65%
	Tianji Sinochem Gaoping Chemical Co., Ltd. (晉能控股裝備製造集團天源山西化工有限公司)	19,100.00	18,100.00	0.69%
	Hubei Qianjiang Jinhuarun Chemical Fertilizer Co., Ltd. (湖北潛江金華潤化肥有限公司)	27,500.00	27,499.80	1.06%
	Shanxi Taihang Ancient Library Cultural Tourism Co., Ltd. (山西太行古書院文化旅遊有限公司)	50,000.00	50,000.00	1.92%
	Shanxi Jinmei Group Linfen Jinniu Coal Mine Investment Co., Ltd. (山西晉煤集團臨汾晉牛煤礦投資有限責任公司)	16,500.00	16,500.00	0.63%
	Shanxi Coal Transportation and Marketing Group Yangquan Co., Ltd. (山西煤炭運銷集團陽泉有限公司)	68,800.00	68,600.00	2.63%
	Shanxi Coal Distribution Group Jincheng Co., Ltd. (山西煤炭運銷集團晉城有限公司)	29,700.00	29,400.00	1.13%

Important Matters

Group name	Name of enterprise to be granted credit	Proposed credit amount approved by the Board of Directors in 2021	Total credit granting	Credit concentration
	Jinneng Group Co., Ltd. (晉能控股電力集團有限公司)	10,000.00	10,000.00	0.38%
	Datong Coal Mine Group Co., Ltd. (晉能控股煤業集團有限公司)	112,000.00	111,900.00	4.30%
	Jinneng Holding Coal Industry Group Shuozhou Coal Transportation and Marketing Co., Ltd. (晉能控股煤業集團朔州煤炭運銷有限公司)	20,000.00	17,108.00	0.66%
	Taiyuan Coal Gasification (Group) Co., Ltd. (太原煤炭氣化(集團)有限責任公司)	3,800.00	–	0.00%
Jinneng Holdings Group Ltd.		379,300.00	371,007.80	14.24%
Lu'an Chemical Group Co., Ltd. (潞安化工集團有限公司)	Tianji Coal Chemical Industry Group Co., Ltd. (天脊煤化工集團股份有限公司)	20,000.00	19,938.00	0.77%
	Shanxi Lu'anmeiji Clean Energy Co., Ltd. (山西潞安煤基清潔能源有限責任公司)	95,937.00	93,124.00	3.57%
	Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	30,000.00	2,000.00	0.08%
	TIANJI GROUP HENAN AGRICULTURAL PRODUCTION MATERIAL COMPANY LTD (天脊集團河南農資有限公司)	1,000.00	1,000.00	0.04%
	Tianji Group Plastics Co., Ltd. (天脊集團塑料有限公司)	1,000.00	1,000.00	0.04%
	Shanxi Tianji Group Construction Engineering Co., Ltd. (山西天脊集團建築工程有限公司)	1,000.00	1,000.00	0.04%
	Lu'an International Financial Leasing (Hengqin) Co., Ltd. (潞安國際融資租賃(橫琴)有限公司)	9,830.00	2,730.00	0.10%
	Hebei Yangmei Zhengyuan Chemical Group Co., Ltd. (河北陽煤正元化工集團有限公司)	30,000.00	27,000.00	1.04%
	Yangquan Coal and Chemical Group Supply and Sales Co., Ltd. (陽泉煤業化工集團供銷有限責任公司)	9,000.00	9,000.00	0.35%

Important Matters

Group name	Name of enterprise to be granted credit	Proposed credit amount approved by the Board of Directors in 2021	Total credit granting	Credit concentration
	Yangquan Coal Industry Group Taiyuan Chemical New Material Co., Ltd. (陽煤集團太原化工新材料有限公司)	15,000.00	15,000.00	0.58%
	Yangmei Fengxi Fertilizer Industry (Group) Co., Ltd. (陽煤豐喜肥業(集團)有限責任公司)	30,000.00	27,000.00	1.04%
	Shanxi Yangmeifeng Xiquanji Energy Co., Ltd. (山西陽煤豐喜泉稷能源有限公司)	30,000.00	10,000.00	0.38%
	Yangmei Pingyuan Chemical Company Limited (陽煤平原化工有限公司)	16,000.00	16,000.00	0.61%
	Hebei Zhengyuan Hydrogen Energy Technology Co., Ltd. (河北正元氫能科技有限公司)	40,000.00	–	0.00%
	Yangmei Chemical Co., Ltd. (陽煤化工股份有限公司)	10,000.00	–	0.00%
	Total of other member units	31,233.00	–	0.00%
Lu'an Chemical Group Co., Ltd.		370,000.00	224,792.00	8.63%
Changzhi Nanye Industry Group Co., Ltd. (長治市南燁實業集團有限公司)	Shanxi Huashengrong Coal Mine Co., Ltd. (山西華晟榮煤礦有限公司)	22,500.00	13,500.00	0.52%
	Shanxi Gaoke Huajie Photoelectric Technology Co., Ltd. (山西高科華傑光電科技有限公司)	20,000.00	15,000.00	0.58%
	Shanxi High Tech Huaxing Electronic Technology Co., Ltd. (山西高科華興電子科技有限公司)	7,500.00	7,500.00	0.29%
	Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	20,000.00	17,900.00	0.69%
	Changzhi Nanye Tongpei Coal Sales Co., Ltd. (長治市南燁統配煤炭銷售有限公司)	10,000.00	–	0.00%
Changzhi Nanye Industry Group Co., Ltd.		80,000.00	53,900.00	2.07%

Important Matters

Group name	Name of enterprise to be granted credit	Proposed credit amount approved by the Board of Directors in 2021	Total credit granting	Credit concentration
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	Shanxi Fanshi Muyuan Agriculture and Animal Husbandry Co., Ltd. (山西繁峙牧原農牧有限公司)	20,000.00	14,500.00	0.56%
	Shanxi Yuanping Muyuan Agriculture and Animal Husbandry Co., Ltd. (山西原平牧原農牧有限公司)	6,300.00	4,613.17	0.18%
	Huaneng Yuncheng Commercial Factoring (Tianjin) Co., Ltd. (華能雲成商業保理(天津)有限公司)	14,000.00	-	0.00%
	Jiangsu Zhilian Commercial Factoring Co., Ltd. (江蘇智鏈商業保理有限公司)	10,000.00	-	0.00%
	Total of other member units	89,700.00	-	0.00%
Huaneng Capital Services Co., Ltd.		140,000.00	19,113.17	0.73%
Shanxi Financial Investment Holding Group Co., Ltd. (山西金融投資控股集團有限公司)	SHANXI GOMO Investment Group Co., Ltd. (山西省國貿投資集團有限公司)	27,000.00	18,000.00	0.69%
	Shanxi Financial Investment Holding Limited (山西金融投資控股集團有限公司)	9,000.00	9,000.00	0.35%
	Total of other member units	30,000.00	-	0.00%
Shanxi Financial Investment Holding Group Co., Ltd.		66,000.00	27,000.00	1.04%
Taiyuan Haixin Assets Management Co., Ltd. (太原市海信資產管理有限公司)	Taiyuan Haixin Asset Management Co., Ltd. (太原市海信資產管理有限公司)	49,700.00	48,700.00	1.87%
Taiyuan Haixin Assets Management Co., Ltd. (太原市海信資產管理有限公司)		49,700.00	48,700.00	1.87%
Associated Natural Persons			1,029.96	0.04%
Total		1,085,000.00	745,542.93	28.62%

Important Matters

MATERIAL LITIGATION AND ARBITRATION

As of the date of this annual report, the Bank expects that any current and pending proceedings or arbitration procedures will not have a material adverse effect on the Bank's business, financial condition and operating results (whether individually or collectively) after accrual of impairment provisions.

PENALTIES IMPOSED ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, the Bank, all of its Directors, Supervisors and senior management were not investigated, administratively penalised or publicly criticized by the China Securities Regulatory Commission, publicly condemned by the Hong Kong Stock Exchange or punished by any other regulatory authorities, which would have a material impact on the Bank's operation.

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

During the Reporting Period, the Bank had no material acquisition and disposal of subsidiaries, associates, joint ventures and assets or business merger.

MATERIAL INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

During the Reporting Period, the Bank had no material investment, or specific plan for material investments or acquisitions of material capital assets or other businesses.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Saved as disclosed above, no other significant events affecting the Bank have occurred subsequent to the end of the Reporting Period.

Risk Management and Internal Control

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Bank has established and continuously improved the effective corporate governance structure, with the shareholders' general meeting as the highest authority, the Board of Directors as the decision-making body, the Board of Supervisors as the supervisory body and the senior management as the executive body, clearly defined the rules of procedure and decision-making procedures of each governance subject of the "Shareholders' general meetings, the Board of Directors, the Board of Supervisors and the senior management" ("三會一層"), and established a scientific and reasonable corporate governance mechanism with clear responsibility, separation of powers and balances and standardized operation.

The Board of Directors has established special committees, including the Development and Strategy Committee, Nomination, Remuneration and HR Committee, Audit Committee, Risk Management Committee, Consumer Rights Protection Committee and Related Party Transactions Control Committee; the Board of Supervisors has established Nomination Committee and Supervision Committee. Risk Management Committee, Investment Management Committee, Assets and Liabilities Management Committee, Credit Review Committee, Financial Review Committee, Information Technology Management Committee, Accountability Management Committee, Business Continuity Management Committee, Performance Appraisal Management Committee, corporate business management committee, retail business management committee and other special committees are under the Operation Management. The Board of Directors, the Board of Supervisors and their respective special committees have all formulated corresponding rules of procedure, and the offices of the Board of Directors and the Board of Supervisors are responsible for the daily affairs of "the Shareholders' general meeting, the Board of Directors and the Board of Supervisors" to ensure the normal and orderly running of the operations management and various businesses of the Bank.

The Bank has also established an independent and vertical internal audit system that mainly comprises the Board of Directors, the Audit Committee and the Audit Department. The Board of Directors undertakes ultimate responsibility to ensure the independence and effectiveness of our internal audit. The Audit Committee guides our internal audit work, while our Audit Department of the head office carries out internal auditing at both the head office and the branch level. Our Audit Department formulates annual audit plans based on regulatory requirements as well as our operation, management and business profile, and carries out audit work strictly in accordance with the annual audit plans after such plans are approved by the Board of Directors. Audit Department conducts both on-site inspections and off-site monitoring during routine audits on various departments and their operational and management activities. The Bank also conducts specific audits on our exposures to various risks such as credit risk, market risk, operational risk and information technology risk. For the issues or deficiencies identified in audits, the Audit Department gives timely notification to the relevant departments and advises on the implementation of effective rectification measures.

The Bank has formulated a set of comprehensive risk management system that covers key risks facing the Bank, including credit risk, market risk, liquidity risk, operational risk, information technology risk, reputational risk and strategic risk. Based on the risk management principles, the Bank has established a sound risk management organizational structure, comprising (i) the Board of Directors, the Risk Management Committee at the board level and the Board of Supervisors; (ii) various special risk management committees at the board level and the senior management level that take charge of the guidance, support and coordination of the Bank's risk management system; and (iii) various departments at the Bank's head office, branches and sub-branches that are in charge of daily risk management work. For various risks, the Bank has formulated clear and specific procedures for reporting and communication to ensure that the Bank efficiently and effectively coordinates various departments' responses to various risks. For more details on the Bank's risk management system, please refer to the "Management Discussion and Analysis – Risk Management".

The Bank has established an effective credit management system, which covers the entire credit extension process, from application and pre-loan investigation to disbursement of funds and post-loan monitoring. The Bank requires that its employees log detailed information about customers and their applications into the Bank's credit management system on a timely basis pursuant to standardized operational procedures of the Bank. Authorized personnel may approve the loan applications within their respective limits through this credit management system. In managing post-disbursement risks, the Bank requires its employees to conduct inspections and record data in relation to the latest operational and financial performance of the relevant parties into the Bank's credit management system. Based on these data, the Bank is able to analyze its loan portfolio and prudently manage bank-wide credit risks.

Risk Management and Internal Control

The Bank closely monitors fluctuations of interest rate, exchange rate and market price of securities and regularly conducts gap analysis, duration analysis, stress tests and scenario analysis in measuring and evaluating market risk in line with the Bank's prudent risk preferences. In addition, the Bank's Financial Market Department reviews data generated by third-party database to monitor the material fluctuation of the fair value of debt securities.

A comprehensive management system for information technology risk has been set in place across the Bank. In 2021, the Bank's efforts on information technology risk control are mainly as follows: gradually improving governance structure of information technology risk and continuously enhancing the performance capacity; improving information technology risk management capacity by continually optimizing the monitoring indicators for information technology risk, strengthening control in key aspects and frequently carrying out high-quality audit on information technology; gradually building a comprehensive protection system for network security to contribute to synergic development between security and innovation on the basis of safety production; continuing to improve the supervision mechanism for construction quality of science and technology projects to strictly control the quality risk of projects; keeping increasing independent R&D investment, implementing transformation through information technology application innovation and enhancing independent controllability; specifically and properly making efforts for production changes and system operation and maintenance to ensure the safe and stable operation of various information systems; strengthening business continuity management to enhance the level of business continuity throughout the Bank; reinforcing data quality and security through data classification; and strengthening information technology outsourcing management and gradually reducing outsourcing reliance.

The Board of Directors of the Bank believes that the risk management and internal control system established and implemented by the Bank is adequate and effective. Such risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and the Board can only provide reasonable and not absolute assurance against material misstatement or loss.

When the "inside information" referred in Part XIVA of the Securities and Futures Ordinance and other matters that should be disclosed promptly as required by the relevant laws and regulations and rules governing securities of the place where the Bank is listed, except for exemption in accordance with relevant laws and regulations and rules governing securities of the place where the Bank is listed, the Bank shall make disclosure in a timely manner in accordance with relevant laws and regulations and rules governing securities of in the place where the Bank is listed.

INTERNAL AUDIT

The Bank considers internal audit essential to the sustainable development of the Bank's business operations. The Audit Department of the Bank shall strictly follow the principles of independence and objectivity throughout the Bank's internal audit work. During the Reporting Period, the Bank has established an independent and vertical internal audit system that mainly comprises the Board of Directors, the Audit Committee and the Audit Department. The Board of Directors undertakes ultimate responsibility to ensure the independence and effectiveness of our internal audit. The Audit Committee guides and assesses our internal audit work, while our Audit Department of the head office carries out internal auditing at both the head office and the branch level.

During the Reporting Period, our Audit Department has formulated annual audit plans based on regulatory requirements as well as our operation, management and business profile, and carries out audit work strictly in accordance with the annual audit plans after such plans are approved by the Board of Directors. Our Audit Department carries out routine audits on various departments and their operational and management activities in the forms of on-site inspections and off-site monitoring. The Bank also conducts specific audits on our exposures to various risks such as credit risk, market risk, operational risk and information technology risk. For the issues or deficiencies identified in audits, the Audit Department gives timely notification to the relevant departments and advises on the implementation of effective rectification measures.

Independent Auditor's Report

To the shareholders of Jinshang Bank Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Jinshang Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group") set out on pages 166 to 299, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers and financial investments measured at amortised cost	Expected credit losses for loans and advances to customers and financial investments measured at amortised cost
<p>The Group's loans and advances to customers and financial investments measured at amortised cost as at 31 December 2021 amounted to RMB178,071 million, with provision for impairment losses amounting to RMB6,608 million as at 31 December 2021.</p> <p>The Group uses the expected credit loss model to calculate the provision for impairment losses in accordance with International Financial Reporting Standard 9, <i>Financial instruments</i> ("IFRS 9"). The Group uses a number of models and assumptions in the measurement of expected credit losses, for example:</p> <ul style="list-style-type: none">• Significant increase in credit risk – The selection of criteria for identifying significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans and advances to customers and financial investments with longer remaining periods to maturity.• Models and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions.• Forward-looking information – Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights.	<p>We evaluated and tested the effectiveness of design and implementation of key internal controls of financial reporting over the approval, recording, monitoring, credit grading and impairment provisioning of loans and advances to customers and financial investments measured at amortised cost, including relevant data quality and information systems.</p> <p>With the support of internal credit risk modelling experts, we evaluated and tested the expected credit loss model, key parameters, and management's significant judgements and related assumptions, mainly focusing on the following aspects:</p> <ul style="list-style-type: none">• Considering macroeconomic changes, we assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and significant increase in credit risk.• We assessed the forward-looking information that management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and weights of multiple macroeconomic scenarios.• We evaluated the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Expected credit losses for loans and advances to customers and financial investments at amortised cost (Continued)	
<ul style="list-style-type: none">Individual impairment assessment – Identifying credit-impaired loans and advances to customers and financial investments at amortised cost requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.	<p>We evaluated and tested the key inputs in the expected credit loss model. Based on the financial information of the debtors and other external evidence, we selected samples and assessed the identification of credit ratings, significant increases in credit risk and credit-impaired financial assets applied by management. In addition, we also selected and tested samples of key data used in models.</p>
<p>Since the expected credit losses for loans and advances to customers and financial investments at amortised cost involved many judgements and assumptions, and in view of the significance of the amount, the expected credit losses for loans and advances to customers and financial investments at amortised cost is considered a key audit matter.</p>	<p>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of expected credit losses for loans and advances to customers and financial investments at amortised cost.</p>
<p>Relevant disclosures are included in Note 2(9), Note 2(26)(a), Note 19, Note 20 and Note39(a) to the consolidated financial statements.</p>	

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Valuation of financial instruments	
<p>The Group mainly holds level 2 and level 3 financial instruments measured at fair value. As at 31 December 2021, the fair value of the Group's financial assets measured at fair value amounted to RMB72,111 million.</p> <p>The valuation of financial instruments measured at fair value of the Group is based on a combination of market data and valuation models which often require a considerable number of inputs. In the case of level 2 financial instruments measured at fair value, the inputs of valuation models are mainly observable data. In the case of level 3 financial instruments measured at fair value, where such observable data are not readily available, estimates need to be developed which can involve significant management judgement.</p> <p>Due to the significance of the financial instruments measured at fair value and the uncertainty in valuation, the valuation of financial instruments is considered a key audit matter.</p> <p>Relevant disclosures are included in Note 2(9), Note 2(26)(b) and Note 40 to the consolidated financial statements.</p>	<p>We evaluated and tested the design and operating effectiveness of key internal controls of financial reporting over the valuation of financial instruments.</p> <p>We evaluated the valuation techniques, inputs and assumptions used by the Group through comparison with the valuation techniques commonly used in the markets, validation of observable inputs using external market data, and comparison with valuation outcomes obtained from various pricing sources. For financial instruments whose valuations were calculated using significant unobservable inputs, we selected samples and involved our internal valuation specialists in assessing the models used by the Group and re-performing independent valuations.</p> <p>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of fair value.</p>

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Consolidation assessment of structured entities	
<p>The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan, an asset-backed security or an investment fund.</p> <p>The assessment of the Group's control over structured entities involves significant judgement on factors such as the purpose and design of structured entities, its ability to direct the relevant activities, direct and indirect beneficial interests and returns, performance fee, remuneration and exposure to loss from providing credit enhancement or liquidity support. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, the consolidation assessment of structured entities is considered a key audit matter.</p> <p>Relevant disclosures are included in Note 2(26)(f) and Note 43 to the consolidated financial statements.</p>	<p>We evaluated and tested the design and operating effectiveness of the key internal controls of financial reporting over the Group's assessment of whether it controls a structured entity.</p> <p>We assessed the Group's analysis and conclusions on whether it controls structured entities based on the Group's analysis on its power over structured entities, and the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group has legal or constructive obligations to ultimately absorb losses from structured entities through a review of contracts, which included examining, on a sampling basis, whether the Group has provided liquidity support or credit enhancement to structured entities.</p> <p>We evaluated and tested the design and operating effectiveness of internal controls related to the disclosures of unconsolidated structured entities.</p>

OTHER INFORMATION INCLUDED IN THE GROUP'S 2021 ANNUAL REPORT

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

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

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

Independent Auditor's Report

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

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

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

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

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

Consolidated Statement of Financial Position

As at 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

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

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

Consolidated Statement of Financial Position

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

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

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

Hao Qiang
Chairwoman of the Board

Zhang Yunfei
Executive Director

Hou Xiuping
Chief Financial Officer

(Company chop)

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

Consolidated Statement of Changes in Equity

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

Note	Attributable to equity holders of the Bank										Total equity
	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Impairment reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	
As at 1 January 2021	5,838,650	6,627,602	3,623,310	2,809,363	(64,335)	12,892	(765)	2,166,811	21,013,528	27,843	21,041,371
Changes in equity for the year:											
Net profit for the year	-	-	-	-	-	-	-	1,665,628	1,665,628	(6,270)	1,679,358
Other comprehensive income	-	-	-	-	33,755	(9,444)	(3,600)	-	20,711	-	20,711
Total comprehensive income	-	-	-	-	33,755	(9,444)	(3,600)	1,665,628	1,706,339	(6,270)	1,700,069
Appropriation of profit											
- Appropriation to surplus reserve	-	-	169,215	-	-	-	-	(169,215)	-	-	-
- Appropriation to general reserve	-	-	-	351,768	-	-	-	(351,768)	-	-	-
- Dividends paid to shareholders	-	-	-	-	-	-	-	(583,865)	(583,865)	-	(583,865)
As at 31 December 2021	5,838,650	6,627,602	3,792,525	3,161,131	(60,580)	3,448	(4,365)	2,747,591	22,136,002	21,573	22,157,575

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

Consolidated Statement of Changes in Equity

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

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

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

Consolidated Statement of Cash Flows

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

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

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

Consolidated Statement of Cash Flows

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

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

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

Notes to the Consolidated Financial Statements

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

1 BACKGROUND INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of preparation and presentation

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

(a) Changes in accounting policies

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

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

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

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation and presentation (Continued)

(a) Changes in accounting policies (Continued)

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

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

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

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

		<i>Effective for accounting period beginning on or after</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
<i>Annual Improvements to IFRS standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41	1 January 2022
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
IFRS 17 and amendments to IFRS 17	<i>Insurance Contracts</i>	1 January 2023
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Effective date has been deferred indefinitely

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(1) Basis of preparation and presentation (Continued)

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

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

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

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

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

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

(4) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future years if the revision affects both current and future years.

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

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(5) Subsidiary and non-controlling interests

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(6) Associates and joint ventures

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(7) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rate on the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates at the dates of transactions.

A spot exchange rate is quoted by the PBoC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary items denominated in foreign currencies are translated to RMB at the spot exchange rate at the end of the reporting period, the resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in fair value reserve.

(8) Cash and cash equivalents

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

(9) Financial instruments

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

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

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

(b) Contract modifications caused by interest rate benchmark reform

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

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(b) Contract modifications caused by interest rate benchmark reform (Continued)

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

(c) Classification and subsequent measurement of financial assets

Classification of financial assets

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

- Financial assets measured at amortised cost, mainly including loans and advances to customers and financial investments measured at amortised cost;
- Financial assets measured at fair value through other comprehensive income (FVOCI), mainly including loans and advances to customers and financial investments measured at FVOCI; and
- Financial assets measured at fair value through profit or loss (FVPL).

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

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(c) Classification and subsequent measurement of financial assets (Continued)

Classification of financial assets (Continued)

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

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

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

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

Subsequent measurement

- Financial assets measured at amortised cost

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

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

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

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(c) Classification and subsequent measurement of financial assets (Continued)

Subsequent measurement (Continued)

- Equity instruments designated at fair value through other comprehensive income

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

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

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

(d) Classification and subsequent measurement of financial liabilities

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

- Financial liabilities at amortised cost

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

- Financial guarantee liabilities

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

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

(e) Impairment

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

- financial assets measured at amortised cost;
- debt investments measured at FVOCI.

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

Notes to the Consolidated Financial Statements

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(e) Impairment (Continued)

Measurement of ECLs

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

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

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

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

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

Presentation of ECLs

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

Write-off

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

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

(f) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date.

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For the year ended 31 December 2021
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(f) Fair value measurement principles (Continued)

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

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

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

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

(g) Derecognition of financial assets and financial liabilities

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

- the Group's contractual rights to the cash flows from the financial asset expire;
- the financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset; or
- the financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

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

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(9) Financial instruments (Continued)

(h) Derivative financial instruments

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

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

(i) Offsetting

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

- the Group currently has a legally enforceable right to set off the recognised amounts;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(10) Financial assets held under resale and repurchase agreements

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

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statement of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

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

(11) Investment in a subsidiary

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(12) Property and equipment and construction in progress

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

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

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

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

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

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

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

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

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(13) Leases

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

(a) As a lessee

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

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

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

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

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

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(13) Leases (Continued)

(a) As a lessee (Continued)

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

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

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

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

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

(b) As a lessor

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

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

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

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

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(14) Intangible assets

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

The respective amortisation periods for intangible assets are as follows:

Computer software and system development	2 – 10 years
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(15) Repossessed assets

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

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

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

- property and equipment
- construction in progress
- intangible assets
- investment in a subsidiary

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

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

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

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For the year ended 31 December 2021
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

(17) Employee benefits

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

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

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

Social pension schemes

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

Annuity plan

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(17) Employee benefits (Continued)

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

Housing fund and other social insurances

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

(b) **Supplementary retirement benefits**

Early retirement plan

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

Supplementary retirement plan

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(18) Income tax

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

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

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

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

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

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

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

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

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For the year ended 31 December 2021
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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(18) Income tax (Continued)

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

- in the case of current tax assets and liabilities, the Bank or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(19) Financial guarantees, provisions and contingent liabilities

(a) Financial guarantees

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

(b) Other provisions and contingent liabilities

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(20) Fiduciary activities

The Group acts in a fiduciary activity as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (“entrusted funds”) to the Group, and the Group grants loans to third parties (“entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

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

(21) Income recognition

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

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

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

(a) Interest income

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

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(21) Income recognition (Continued)

(a) Interest income (Continued)

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

(b) Fee and commission income

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

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance; or
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.

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

(c) Government grants

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

(d) Other income

Other income is recognised on an accrual basis.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(22) Expenses recognition

(a) Interest expense

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

(b) Other expenses

Other expenses are recognised on an accrual basis.

(23) Dividends

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

(24) Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or a parent of the Group.

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

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a parent of the Group.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(24) Related parties (Continued)

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

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

(25) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(26) Significant accounting estimates and judgements

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

(a) Measurement of expected credit losses

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

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

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit losses;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit losses.

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

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(26) Significant accounting estimates and judgements (Continued)

(b) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make a maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(c) Income taxes

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.

(d) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) may not be obtained reliably, the fair value of the asset may not be estimated reliably. In assessing the present value of future cash flows, significant judgements are exercised over the asset's selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the selling price and related operating expenses based on reasonable and supportable assumption.

(e) Depreciation and amortisation

Property and equipment and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

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2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(26) Significant accounting estimates and judgements (Continued)

(f) Determination of control over investees

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

The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan, an asset-backed security or an investment fund. Determining whether the Group controls such a structured entity usually focuses on the assessment of the aggregate economic interests of the Group in the entity (comprising any carried interest and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest is in each case not significant and the decision makers establish, market and manage them according to restricted parameters as set out in the investment agreements as required by laws and regulations. As a result, the Group has concluded that it acts as agent as opposed to principal for the investors in all cases, and therefore has not consolidated these structured entities.

For further disclosure in respect of unconsolidated non-principal guaranteed wealth management products and asset management plans in which the Group has an interest or for which it is a sponsor, see Note 43.

(g) Defined benefit plan

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

(27) Taxation

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

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

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3 NET INTEREST INCOME

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

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

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4 NET FEE AND COMMISSION INCOME

(a) Income and expense streams:

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

(b) Disaggregation of income:

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

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5 NET TRADING GAINS

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

6 NET GAINS ARISING FROM INVESTMENT SECURITIES

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

7 OTHER OPERATING INCOME

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

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8 OPERATING EXPENSES

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

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

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9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

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

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9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

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

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9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (Continued)

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

Notes:

- (a) At the Bank's annual general meeting of shareholders on 10 June 2021, Hao Qiang and Zhang Yunfei were appointed as executive directors.
- (b) On 10 June 2021, Xu Jin resigned as an shareholders' representative supervisor.
- (c) On 20 January 2021, Wang Peiming resigned as an executive director.
- (d) On 9 December 2020, Tang Yiping resigned as an executive director.
- (e) On 20 November 2020, Rong Changqing resigned as an executive director.
- (f) In the extraordinary general meeting of the Bank on 10 March 2020, Wang Junbiao was elected as an executive director of the Bank. On 26 April 2021, Wang Junbiao resigned as an executive director and chairman of the board of directors.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

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

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

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10 INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

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

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

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

11 IMPAIRMENT LOSSES ON CREDIT

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

12 INCOME TAX EXPENSE

(a) Income tax expense:

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

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12 INCOME TAX EXPENSE (Continued)

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

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

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

13 BASIC AND DILUTED EARNINGS PER SHARE

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

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

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

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

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

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14 CASH AND DEPOSITS WITH THE CENTRAL BANK

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

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

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

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

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

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

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

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16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

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

17 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

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18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

(a) Analysed by type and location of counterparty

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

(b) Analysed by type of collateral held

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

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

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19 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

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

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19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

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

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19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

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

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19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

As at the end of the reporting period and during the year, detailed information of the impaired loans and advances to customers (excluding interests accrued) as well as the corresponding provision for impairment losses in respect of each industry sector which constitutes 10% or more of gross loans and advances to customers is as follows:

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

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

(c) Analysed by type of collateral

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

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19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

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

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

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

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

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19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses

	31 December 2021			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans(i)	Total
Total loans and advances to customers measured at amortised cost	113,923,962	8,605,498	2,858,484	125,387,944
Less: Provision for impairment losses	(2,476,152)	(1,353,755)	(1,447,201)	(5,277,108)
Carrying amount of loans and advances to customers measured at amortised cost	111,447,810	7,251,743	1,411,283	120,110,836
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	30,896,556	–	–	30,896,556
Net loans and advances to customers	142,344,366	7,251,743	1,411,283	151,007,392
	31 December 2020			
	Expected credit losses over the next 12 months	Lifetime expected credit losses: not credit-impaired loans	Lifetime expected credit losses: credit-impaired loans(i)	Total
Total loans and advances to customers measured at amortised cost	101,686,785	2,897,228	2,506,264	107,090,277
Less: Provision for impairment losses	(2,980,705)	(718,958)	(1,154,512)	(4,854,175)
Carrying amount of loans and advances to customers measured at amortised cost	98,706,080	2,178,270	1,351,752	102,236,102
Carrying amount of loans and advances to customers measured at fair value through other comprehensive income	29,598,010	–	2,400	29,600,410
Net loans and advances to customers	128,304,090	2,178,270	1,354,152	131,836,512

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19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(e) Loans and advances and provision for impairment losses (Continued)

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

(f) Movements in provision for impairment losses

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

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

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19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements in provision for impairment losses (Continued)

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

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

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19 LOANS AND ADVANCES TO CUSTOMERS (Continued)

(f) Movements in provision for impairment losses (Continued)

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

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

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

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

(g) Disposal of loans and advances to customers

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

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

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20 FINANCIAL INVESTMENTS

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

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

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

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

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20 FINANCIAL INVESTMENTS (Continued)

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

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

Notes:

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

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For the year ended 31 December 2021
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20 FINANCIAL INVESTMENTS (Continued)

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

Notes: (Continued)

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

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

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

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

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20 FINANCIAL INVESTMENTS (Continued)

(c) Financial investments measured at amortised cost

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

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

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20 FINANCIAL INVESTMENTS (Continued)

(c) Financial investments measured at amortised cost (Continued)

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

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

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

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20 FINANCIAL INVESTMENTS (Continued)

(d) Financial investments are analysed as follows:

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

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20 FINANCIAL INVESTMENTS (Continued)

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

	31 December 2021	31 December 2020
Listed	44,050,004	44,071,291
Unlisted	48,516,665	47,588,612
Total	92,566,669	91,659,903

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

21 INTEREST IN AN ASSOCIATE

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

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

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

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

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21 INTEREST IN AN ASSOCIATE (Continued)

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

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

22 INVESTMENT IN A SUBSIDIARY

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

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

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23 PROPERTY AND EQUIPMENT

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

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

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

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

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24 DEFERRED TAX ASSETS

(a) Analysed by nature

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

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24 DEFERRED TAX ASSETS (Continued)

(b) Movements in deferred tax

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

Notes:

- (i) The Group made provision for impairment losses on loans and advances to customers and other assets. The provision for impairment losses was determined based on the expected recoverable amount of the relevant assets at the end of the reporting period. However, the amounts deductible for income tax purposes are calculated at 1% of the gross carrying amount of qualifying assets at the end of the reporting period, together with write-offs which fulfill specific criteria as set out in the PRC tax rules and are approved by the tax authorities.
- (ii) Net gains or losses on fair value changes of financial instruments are subject to tax when realised.

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25 OTHER ASSETS

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

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25 OTHER ASSETS (Continued)

(a) Right-of-use assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
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25 OTHER ASSETS (Continued)

(b) Intangible assets

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

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25 OTHER ASSETS (Continued)

(c) Repossessed assets

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

(d) Land use rights

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

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

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

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

(e) Interest receivables

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

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

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26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

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

27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

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

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28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

(a) Analysed by type and location of counterparty

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

(b) Analysed by type of collateral held

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

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29 DEPOSITS FROM CUSTOMERS

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

30 DEBT SECURITIES ISSUED

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

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30 DEBT SECURITIES ISSUED (Continued)

(a) Interbank deposits issued

- (i) During the year ended 31 December 2021, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB79,660 million and maturity between 1 and 12 months. The coupon interest rates ranged from 2.40% to 3.30% per annum.
- (ii) In 2020, the Bank issued a number of certificates of interbank deposits with a total nominal amount of RMB66,490 million and maturity between 1 and 12 months. The coupon interest rates ranged from 1.35% to 3.60% per annum.
- (iii) As at 31 December 2021, the fair value of interbank deposits issued was RMB52,334 million (31 December 2020: RMB42,730 million).

(b) Financial bonds issued

- (i) In December 2018, the Bank issued three-year fixed interest rate financial bonds with a face value of RMB5,000 million. The coupon interest rate per annum was 4.00%. The bank redeemed the debt in December 2021.
- (ii) In April 2020, the Bank issued three-year financial bonds with a face value of RMB4,000 million. The coupon interest rate per annum is 3.00%.
- (iii) As at 31 December 2021, the fair value of the financial bonds issued was RMB3,999 million (31 December 2020: RMB8,960 million).

(c) Tier-two capital debts issued

- (i) In January 2021, the Bank issued ten-year fixed interest rate tier-two capital bonds with a face value of RMB2,000 million. The coupon interest rate per annum is 4.78%. The Bank had an option to redeem the bonds at the end of the fifth year.
- (ii) As at 31 December 2021, the fair value of the tier-two capital bonds issued was RMB1,962 million (31 December 2020: None).

31 OTHER LIABILITIES

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

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31 OTHER LIABILITIES (Continued)

(a) Accrued staff cost

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

Supplementary retirement benefits

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

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

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

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

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31 OTHER LIABILITIES (Continued)

(a) Accrued staff cost (Continued)

Supplementary retirement benefits (Continued)

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

Early retirement plan

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

Supplementary retirement plan

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

Note:

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

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31 OTHER LIABILITIES (Continued)

(b) Provisions

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

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

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

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

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31 OTHER LIABILITIES (Continued)

(c) Lease liabilities

The maturity analysis of lease liabilities – undiscounted analysis:

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

(d) Contract liabilities

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

32 SHARE CAPITAL

Authorised and issued share capital

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

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

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33 RESERVES

(a) Capital reserve

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

(b) Surplus reserve

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

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

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

(c) General reserve

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

(d) Fair value reserve

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

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33 RESERVES (Continued)

(e) Impairment reserve

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

(f) Remeasurement of net defined benefit liability

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

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

34 RETAINED EARNINGS

(a) Appropriation of profits

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

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of general reserve amounting to approximately RMB349 million; and
- Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

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

- Appropriation of statutory surplus reserve based on 10% of the net profit;
- Appropriation of general reserve amounting to approximately RMB21 million; and
- Declaration of cash dividends in an aggregate amount of approximately RMB584 million to all existing shareholders.

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34. RETAINED EARNINGS (Continued)

(b) Movements in components of equity

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

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

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

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35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Net increase in cash and cash equivalents

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

(b) Cash and cash equivalents

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

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35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

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

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35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Reconciliation of liabilities arising from financing activities (Continued)

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

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36. CAPITAL MANAGEMENT

The Group's capital management includes capital adequacy ratio management and capital financing management, of which the primary focus is on capital adequacy ratio management. The Group calculates the capital adequacy ratio in accordance with guidelines issued by the former CBRC. The capital of the Group is divided into core tier-one capital, other core tier-one capital and tier-two capital.

Capital adequacy ratio management is the key in capital management. The capital adequacy ratio reflects the soundness of the Group's operations and risk management capabilities. The main objective in capital adequacy ratio management is to set an optimal capital adequacy ratio that meets the regulatory requirements by benchmarking against the capital adequacy ratio level of leading peer banks with reference to its own business environment and conditions.

The Group considers its strategic development plans, business expansion plans and risk variables when conducting scenario analysis and stress testing and executing other measures to forecast, plan and manage its capital adequacy ratio.

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

The CBRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with "Regulation Governing Capital of Commercial Banks (Provisional)". For non-systemically important banks, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

The on-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. Similar treatment is adopted for off-balance sheet exposure, with adjustments made to reflect the more contingent nature of any potential losses. Market risk-weighted assets are calculated using the standardised approach. Operational risk-weighted assets are calculated using the basic indicator approach.

The capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

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36. CAPITAL MANAGEMENT (Continued)

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

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

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37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Related parties of the Group

(i) Major shareholders

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

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

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

Name	Place of registration	Registered Capital		Economic nature or type	Legal Representative/ Head	Business scope	Number of Shares	Proportion of shareholding	
		31 December 2021	31 December 2020					31 December 2021	31 December 2020
Shanxi Finance Bureau (山西省政廳)	Taiyuan, Shanxi	N/A	N/A	Government agency	Wu Zhiyuan	N/A	715,109	12.25%	N/A
Shanxi Financial Investment Holdings Limited.* (山西金融投資控股集團有限公司)	Taiyuan, Shanxi	10,646,700	10,646,700	Limited liability company	Zhang Jiongwei	Investment, financial management, and asset management service	N/A	N/A	12.25%
Huaneng Capital Services Co., Ltd. (華能資本服務有限公司)	Beijing	9,800,000	9,800,000	Limited liability company	Ye Cai	Investment, asset management, and asset trusteeship service	600,000	10.28%	10.28%
Taiyuan Municipal Finance Bureau (太原市財政局)	Taiyuan, Shanxi	N/A	N/A	Government agency	Tian Wenhao	N/A	466,142	7.98%	7.98%
Changzhi Nanye Industry Group Co., Ltd. (長治市南樺實業集團有限公司)	Changzhi, Shanxi	520,000	520,000	Limited liability company	Fan Yunfeng	Corporate headquarters management, corporate management consulting, property service, and construction work	450,657	7.72%	7.72%
Shanxi Lu'an Mining (Group) Co., Ltd. (山西潞安礦業(集團)有限責任公司)	Changzhi, Shanxi	4,198,816	4,198,816	Limited liability company	Guo Zhenhong	Production and sale of coal, accommodation service, catering service, and wood processing	359,092	6.15%	6.15%

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37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

(a) Related parties of the Group (Continued)

(i) Major shareholders (Continued)

Name	Place of registration	Registered Capital		Economic nature or type	Legal Representative/ Head	Business scope	Number of Shares	Proportion of shareholding	
		31 December 2021	31 December 2020					31 December 2021	31 December 2020
Shanxi International Electricity Group Limited Company (山西國際電力集團有限公司)	Taiyuan, Shanxi	6,000,000	6,000,000	Limited liability company	Liu Wenyan	Electric power business, electricity generation business, and the technology consulting of power transmission project	300,000	5.14%	5.14%
Shanxi Coking Coal Group Co., Ltd. (山西焦炭集團有限責任公司)	Taiyuan, Shanxi	10,623,230	10,623,230	Limited liability company	Zhao Jianze	Mineral resources mining, coal mining, wholesale and retail steel, etc.	291,339	4.99%	4.99%
Changzhi Huashengyuan Mining Industry Co., Ltd. (長治市華晟源礦業有限公司)	Changzhi, Shanxi	60,000	60,000	Limited liability company	Duan Xiaosi	Sale of hardware, mineral and building materials	234,570	4.02%	4.02%
Jinneng Holding Equipment Manufacturing Group Co., Ltd. (晉能控股設備製造集團有限公司)	Jincheng, Shanxi	3,905,196	3,905,196	Limited liability company	Xuan Hongbin	Investment with its own funds, coal wholesale and engineering survey	200,000	3.43%	3.43%

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

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

(ii) Subsidiary of the Bank

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

(iii) Associate of the Bank

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

(iv) Other related parties

Other related parties can be individuals or enterprises, which include: members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the board of directors, the board of supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 37(a) or their controlling shareholders.

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37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

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

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

	2021	2020
Transactions during the year		
Interest income	17,042	23,824
Interest expense	25,746	40,346
Net fee and commission income	6,231	6
Operating expenses	219	–
	31 December 2021	31 December 2020
Balances at the end of the year		
Loans and advances to customers	177,913	157,899
Financial investments	20,906	91,047
Deposits from customers	3,981,737	572,350

(ii) Transactions between the Bank and its subsidiary:

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

	2021	2020
Transactions during the year		
Interest expense	1,237	1,972
	31 December 2021	31 December 2020
Balances at the end of the year		
Deposits from banks and other financial institutions	160,728	55,791

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37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

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

(Continued)

(iii) Transactions between the Bank and its associate:

	2021	2020
Transactions during the year		
Interest income	20,915	29,686
Interest expense	66	621
Net fee and commission income	6,695	11
	31 December 2021	31 December 2020
Balances at the end of the year		
Deposits with banks and other financial institutions	1,001,166	750,986
Deposits from banks and other financial institutions	5,700	9,264

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

	2021	2020
Transactions during the year		
Interest income	662,103	841,978
Interest expense	186,462	170,526
Net fee and commission income	130,617	35,425
Operating expenses	3,912	2,705
Debt securities investments	272,488	524,211
Assets transferring	795,446	2,034,370
	31 December 2021	31 December 2020
Balances at the end of the year		
Loans and advances to customers	11,164,828	10,101,453
Financial investments	4,239,232	7,421,671
Deposits from customers	12,255,819	9,766,264
Deposits from banks and other financial institutions	1,269,509	118,391
Bank acceptances	9,077,983	8,439,056
Letters of credit	1,605,750	1,107,530

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37. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(Continued)

(c) Key management personnel

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

(i) Transactions between the Bank and key management personnel

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

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

(ii) Key management personnel compensation

The aggregate compensation of key management personnel is as follows:

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

(d) Loans and advances to key management personnel

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

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38. SEGMENT REPORTING

The Group manages its business by business lines. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing, deposit taking activities, agency services, wealth management services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans, deposit taking activities, personal wealth management services and remittance services.

Treasury business

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

Others

These represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from third parties are referred to as "external net interest income/expense". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Intra-group balances and intra-group transactions are eliminated by segment income, expenses, assets and liabilities as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period on the acquisition of property and equipment, intangible assets and other long-term assets.

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For the year ended 31 December 2021
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38. SEGMENT REPORTING (Continued)

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

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38. SEGMENT REPORTING (Continued)

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

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39. RISK MANAGEMENT

The Group has exposure to the following risks arising from its financial instruments: credit risk, market risk, liquidity risk and operational risk.

This note presents information about the Group's exposure to each of the above risks and their sources, and the Group's objectives, policies and procedures for measuring and managing these risks.

Risk management system

The Group's risk management policies were established to identify and analyse the risks to which the Group is exposed, to set appropriate risk limits, and to design relevant internal control policies and systems for monitoring risks and adhering to risk limits. Risk management policies and relevant internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and bond investment portfolios and guarantees granted.

Credit business

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

Notes to the Consolidated Financial Statements

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39. RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Credit business (Continued)

The Group continuously improves the internal control mechanism and strengthens the management of the credit business. The Group has established comprehensive assessment and inquiry mechanisms, assigning the credit management accountability to the relevant departments and individuals.

For corporate and institutional businesses, the Group has established industry-specific limits for credit approval. With respect to pre-lending evaluations, the Group assesses customer credit ratings and performs integrated analysis on the risk and return of the loan. In the credit approval phase, all credit applications are approved by designated credit officers. During the post-lending monitoring, the Group continually monitors outstanding loans and other credit related businesses. Any adverse events that may significantly affect a borrower's repayment ability are reported immediately, and actions are taken to mitigate the risks.

For personal credit operation business, credit assessment of applicants is used as the basis for loan approval. In the credit assessment, customer relationship managers are required to assess the income level, credit history, and repayment ability of the applicant. The customer relationship managers then forward the applications and their recommendations to the loan approval departments for further approval. The Group monitors borrowers' repayment ability, the status of collateral and any changes to their value during the post-lending phase. Once a loan becomes overdue, the Group starts the recovery process according to the standardized loan recovery procedures.

Stages of risks in financial instruments

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

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

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39. RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Significant increase in credit risk

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

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

- The credit spread increases significantly;
- Significant changes with an adverse effect that have taken place in the borrower's business, financial and economic status;
- Application of a grace period or debt-restructuring;
- Significant changes with an adverse effect in the borrower's business conditions;
- Decrease in value of the collateral (for the collateral loans and pledged loans only);
- Early indicators of problems of cash flow/liquidity, such as late payment of accounts payable/repayment of loans;
- The borrowing is more than 30 days past due.

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

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

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39. RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Definition of “default” and “credit-impaired assets”

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

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

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for securities because of financial difficulties of the issuer; or
- overdue more than 90 days.

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

Measurement of expected credit losses (“ECL”)

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

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

- PD refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan;
- EAD is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan;
- LGD refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. LGD varies according to different types of counterparties or other credit support;
- The discount rate used in the calculation of the ECLs is the initial effective interest rate or its approximate value.

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39. RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

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

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

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

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

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

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

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

(i) *Maximum credit risk exposure*

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

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39. RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

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

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

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39. RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

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

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

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

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

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39. RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses ("ECL") (Continued)

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

Financial assets (excluding interest accrued) analysed by credit quality

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

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39. RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses ("ECL") (Continued)

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

Financial assets (excluding interest accrued) analysed by credit quality (Continued)

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

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39. RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

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

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

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

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

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

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39. RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Measurement of expected credit losses (“ECL”) (Continued)

(iii) *Rescheduled loans and advances to customers*

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

(iv) *Credit rating*

The Group adopts a credit rating approach for managing the credit risk arising from the debt securities portfolio. Debt securities are rated with reference to major rating agencies where the issuers of the securities are located. The carrying amounts of debt securities investments (excluding interest accrued) analysed by credit ratings as at the end of the reporting period are as follows:

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

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39. RISK MANAGEMENT (Continued)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, commodity prices, stock prices and other prices.

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

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

Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of financial markets business position.

Repricing risk

Repricing risk, which is also known as "maturity mismatch risk", is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of bank assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group's income or its inherent economic value to vary with the movement in interest rates.

Trading interest rate risk

Trading interest rate risk mainly arises from investment portfolios of treasury businesses. Interest rate risk is monitored using the effective duration analysis method. The Group employs other supplementary methods to measure its interest rate sensitivity, which is expressed as changes in the fair value of investment portfolios given a 100 basis points (1%) movement in the interest rates.

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39. RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

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

	31 December 2021					
	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	24,042,197	379,982	23,662,215	-	-	-
Deposits with banks and other financial institutions	1,914,906	21,002	1,226,307	667,597	-	-
Placements with banks and other financial institutions	2,700,264	754	2,699,510	-	-	-
Derivative financial assets	236	236	-	-	-	-
Financial assets held under resale agreements	26,351,992	6,745	23,765,543	2,579,704	-	-
Loans and advances to customers*	151,007,392	544,048	41,454,734	57,557,085	33,838,244	17,613,281
Financial investments	92,566,669	34,325,000	6,517,246	14,293,231	28,252,556	9,178,636
Others	4,707,857	4,707,857	-	-	-	-
Total assets	303,291,513	39,985,624	99,325,555	75,097,617	62,090,800	26,791,917
Liabilities						
Borrowings from the central bank	2,799,217	1,339	315,311	2,482,567	-	-
Deposits from banks and other financial institutions	1,297,166	11,436	285,730	1,000,000	-	-
Placements from banks and other financial institutions	210,169	169	210,000	-	-	-
Derivative financial liabilities	403	403	-	-	-	-
Financial assets sold under repurchase agreements	15,345,732	7,222	15,206,012	132,498	-	-
Deposits from customers	199,207,180	4,119,691	70,590,668	49,610,745	74,886,076	-
Debt securities issued	58,967,189	175,250	17,091,247	35,702,304	3,999,433	1,998,955
Others	3,306,882	2,974,331	-	2,788	209,522	120,241
Total liabilities	281,133,938	7,289,841	103,698,968	88,930,902	79,095,031	2,119,196
Asset-liability gap	22,157,575	32,695,783	(4,373,413)	(13,833,285)	(17,004,231)	24,672,721

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39. RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

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

	31 December 2020					
	Total	Non-interest-bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	20,535,802	415,674	20,120,128	-	-	-
Deposits with banks and other financial institutions	2,244,037	14,093	1,579,934	650,010	-	-
Placements with banks and other financial institutions	1,100,435	435	800,000	300,000	-	-
Derivative financial assets	86	86	-	-	-	-
Financial assets held under resale agreements	18,915,305	655	18,224,398	690,252	-	-
Loans and advances to customers*	131,836,512	585,848	44,826,617	46,000,404	30,552,831	9,870,812
Financial investments	91,659,903	27,480,459	4,219,439	13,490,485	32,142,825	14,326,695
Others	4,651,517	4,651,517	-	-	-	-
Total assets	270,943,597	33,148,767	89,770,516	61,131,151	62,695,656	24,197,507
Liabilities						
Borrowings from the central bank	1,893,459	799	209,340	1,683,320	-	-
Deposits from banks and other financial institutions	1,905,784	8,647	337,137	1,560,000	-	-
Placements from banks and other financial institutions	800,730	730	300,000	500,000	-	-
Financial assets sold under repurchase agreements	13,430,473	10,809	13,344,022	75,642	-	-
Deposits from customers	176,781,696	3,388,309	77,676,690	31,198,000	64,518,697	-
Debt securities issued	52,176,626	93,370	17,558,304	30,525,943	3,999,009	-
Others	2,913,458	2,913,458	-	-	-	-
Total liabilities	249,902,226	6,416,122	109,425,493	65,542,905	68,517,706	-
Asset-liability gap	21,041,371	26,732,645	(19,654,977)	(4,411,754)	(5,822,050)	24,197,507

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

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39. RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

(ii) Interest rate sensitivity analysis

The Group uses sensitivity analysis to measure the impact of changes in interest rate on the Group's net profit or loss and equity. The following table sets forth the results of the Group's interest rate sensitivity analysis on net profit and equity with an assumption that all other variables held constant.

	31 December 2021	31 December 2020
Change in net profit	(Decrease)/ Increase	(Decrease)/ Increase
100 bps parallel upward shift in yield curves	(91,246)	(189,250)
100 bps parallel downward shift in yield curves	91,287	189,315

	31 December 2021	31 December 2020
Change in equity	(Decrease)/ Increase	(Decrease)/ Increase
100 bps parallel upward shift in yield curves	(127,531)	(202,929)
100 bps parallel downward shift in yield curves	127,548	203,104

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

- Interest rate movements at the end of the reporting period apply to all derivative and non-derivative financial instruments of the Group;

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39. RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

(ii) Interest rate sensitivity analysis (Continued)

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

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

Foreign currency risk

The majority of the business of the Group is related to Renminbi, as well as a small amount of business related to United States dollars and other foreign currencies.

The changes in exchange rates will affect the financial position and cash flows of the Group. Due to the small amount of foreign currency business of the Group, the effect of foreign currency risk on the Group would be immaterial. The major principle of the Group's control on foreign currency risk is to achieve matching of assets and liabilities in each currency and to conduct daily monitoring on currency exposure.

The Group adopts sensitivity analysis to measure the possible effects of changes in exchange rates on net gains and losses and interests of the Group. As the foreign currency assets and liabilities account for an immaterial part of the total assets and total liabilities of the Group, the effect of changes in exchange rates on net gains and losses and interests of the Group would be immaterial.

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39. RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures as at the end of each of the reporting periods are as follows:

	31 December 2021			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	Other (RMB equivalent)	
Assets				
Cash and deposits with the central bank	24,042,063	120	14	24,042,197
Deposits with banks and other financial institutions	1,880,106	33,563	1,237	1,914,906
Placements with banks and other financial institutions	2,700,264	–	–	2,700,264
Derivative financial assets	236	–	–	236
Financial assets held under resale agreements	26,351,992	–	–	26,351,992
Loans and advances to customers	151,007,392	–	–	151,007,392
Financial investments	92,566,669	–	–	92,566,669
Others	4,707,857	–	–	4,707,857
Total assets	303,256,579	33,683	1,251	303,291,513
Liabilities				
Borrowings from the central bank	2,799,217	–	–	2,799,217
Deposits from banks and other financial institutions	1,297,166	–	–	1,297,166
Placements from banks and other financial institutions	210,169	–	–	210,169
Derivative financial liabilities	403	–	–	403
Financial assets sold under repurchase agreements	15,345,732	–	–	15,345,732
Deposits from customers	199,206,195	868	117	199,207,180
Debt securities issued	58,967,189	–	–	58,967,189
Others	3,274,680	32,202	–	3,306,882
Total liabilities	281,100,751	33,070	117	281,133,938
Net position	22,155,828	613	1,134	22,157,575
Off-balance sheet credit commitments	71,312,249	–	–	71,312,249

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39. RISK MANAGEMENT (Continued)

(b) Market risk (Continued)

Foreign currency risk (Continued)

The Group's currency exposures as at the end of each of the reporting periods are as follows:
(Continued)

	31 December 2020			Total (RMB equivalent)
	RMB	USD (RMB equivalent)	Other (RMB equivalent)	
Assets				
Cash and deposits with the central bank	20,535,668	46	88	20,535,802
Deposits with banks and other financial institutions	2,176,678	34,541	32,818	2,244,037
Placements with banks and other financial institutions	1,100,435	–	–	1,100,435
Derivative financial assets	86	–	–	86
Financial assets held under resale agreements	18,915,305	–	–	18,915,305
Loans and advances to customers	131,836,512	–	–	131,836,512
Financial investments	91,659,903	–	–	91,659,903
Others	4,651,517	–	–	4,651,517
Total assets	270,876,104	34,587	32,906	270,943,597
Liabilities				
Borrowings from the central bank	1,893,459	–	–	1,893,459
Deposits from banks and other financial institutions	1,905,784	–	–	1,905,784
Placements from banks and other financial institutions	800,730	–	–	800,730
Financial assets sold under repurchase agreements	13,430,473	–	–	13,430,473
Deposits from customers	176,780,688	886	122	176,781,696
Debt securities issued	52,176,626	–	–	52,176,626
Others	2,880,382	33,076	–	2,913,458
Total liabilities	249,868,142	33,962	122	249,902,226
Net position	21,007,962	625	32,784	21,041,371
Off-balance sheet credit commitments	64,188,683	–	–	64,188,683

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39. RISK MANAGEMENT (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to sustain its asset business or meet its repayment obligations.

The Group plays an active part in managing liquidity risks and improves the related management system in terms of organisation, institution, system, management and mechanism. The organisational structure of the Group's liquidity risk management consists of the Board of Directors, senior management and its Risk Management Committee and Asset and Liability Management Committee, Department of Risk Management, Department of Asset and Liability Management, Department of Corporate Finance, Department of Retail Banking, Department of Personal Credit Assets Management, Department of Trade Finance, Department of Financial Market, Department of Technology Information and Audit Department of the Bank, which are responsible for formulating liquidity risk management strategy and establishing internal control mechanism to support the implementation and supervision of liquidity risk management strategy.

The measurement of liquidity risk of the Group adopts liquidity indicator and cash flow gap calculation. By stress testing, the Group sets up mild, moderate and severe scenarios to examine the capacity to withstand liquidity or liquidity crises and improve liquidity contingency measures. In terms of response to liquidity risks, the Group strengthens management and monitoring of liquidity limits; establishes related liquidity emergency leading groups, early-warning indicators for internal and external liquidity risks and indicators that could trigger contingency plans and monitors these indicators; builds up quality liquidity asset reserve and financing capability management; erects liquidity risk reporting mechanism, in which the asset and liability management department reports to the Asset and Liability Management Committee, senior management and the Board of Directors on issues related to the status, stress testing and contingency plans of liquidity risks on a regular basis.

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39. RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group by maturity grouping based on the remaining periods to repayment at the end of the reporting period:

	31 December 2021							Total
	Indefinite*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	11,298,905	12,737,761	5,531	-	-	-	-	24,042,197
Deposits with banks and other financial institutions	-	866,394	114,363	258,307	675,842	-	-	1,914,906
Placements with banks and other financial institutions	-	-	2,700,264	-	-	-	-	2,700,264
Derivative financial assets	-	-	-	-	236	-	-	236
Financial assets held under resale agreements	-	-	16,600,885	7,171,402	2,579,705	-	-	26,351,992
Loans and advances to customers	3,057,678	3,657,179	4,619,992	12,978,645	57,810,114	34,157,796	34,725,988	151,007,392
Financial investments	2,198,908	30,380,133	1,135,882	5,008,901	12,935,363	31,450,870	9,456,612	92,566,669
Others	4,478,909	228,948	-	-	-	-	-	4,707,857
Total assets	21,034,400	47,870,415	25,176,917	25,417,255	74,001,260	65,608,666	44,182,600	303,291,513
Liabilities								
Borrowings from the central bank	-	-	-	316,650	2,482,567	-	-	2,799,217
Deposits from banks and other financial institutions	-	86,388	205,845	-	1,004,933	-	-	1,297,166
Placements from banks and other financial institutions	-	-	-	210,169	-	-	-	210,169
Derivative financial liabilities	-	-	-	-	-	403	-	403
Financial assets sold under repurchase agreements	-	-	14,176,199	1,037,035	132,498	-	-	15,345,732
Deposits from customers	-	61,010,636	5,102,433	5,434,948	50,819,077	76,840,086	-	199,207,180
Debt securities issued	-	-	2,596,252	14,585,095	35,787,454	3,999,433	1,998,955	58,967,189
Others	-	2,860,810	22,233	23,980	160,149	190,163	49,547	3,306,882
Total liabilities	-	63,957,834	22,102,962	21,607,877	90,386,678	81,030,085	2,048,502	281,133,938
Net position	21,034,400	(16,087,419)	3,073,955	3,809,378	(16,385,418)	(15,421,419)	42,134,098	22,157,575

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39. RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The following tables provide an analysis of assets and liabilities of the Group by maturity grouping based on the remaining periods to repayment at the end of the reporting period: (Continued)

	31 December 2020							Total
	Indefinite*	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
Assets								
Cash and deposits with the central bank	13,658,026	6,871,068	6,708	-	-	-	-	20,535,802
Deposits with banks and other financial institutions	-	1,279,985	104,591	200,661	658,800	-	-	2,244,037
Placements with banks and other financial institutions	-	-	800,060	-	300,375	-	-	1,100,435
Derivative financial assets	-	-	-	-	-	86	-	86
Financial assets held under resale agreements	-	-	13,615,032	4,610,021	690,252	-	-	18,915,305
Loans and advances to customers	2,614,488	3,288,856	8,870,557	14,573,381	46,473,166	32,312,294	23,703,770	131,836,512
Financial investments	1,509,399	25,375,979	655,327	3,636,466	13,237,435	32,833,947	14,411,350	91,659,903
Others	4,131,976	519,541	-	-	-	-	-	4,651,517
Total assets	21,913,889	37,335,429	24,052,275	23,020,529	61,360,028	65,146,327	38,115,120	270,943,597
Liabilities								
Borrowings from the central bank	-	-	-	210,139	1,683,320	-	-	1,893,459
Deposits from banks and other financial institutions	-	138,019	202,536	1,394	1,563,835	-	-	1,905,784
Placements from banks and other financial institutions	-	-	-	730	300,000	500,000	-	800,730
Financial assets sold under repurchase agreements	-	-	12,277,375	1,077,455	75,643	-	-	13,430,473
Deposits from customers	-	62,600,942	6,506,371	9,879,542	31,722,189	66,072,652	-	176,781,696
Debt securities issued	-	-	249,867	17,339,915	30,580,667	4,006,177	-	52,176,626
Others	-	2,432,235	14,931	14,113	150,193	241,476	60,510	2,913,458
Total liabilities	-	65,171,196	19,251,080	28,523,288	66,075,847	70,820,305	60,510	249,902,226
Net position	21,913,889	(27,835,767)	4,801,195	(5,502,759)	(4,715,819)	(5,673,978)	38,054,610	21,041,371

* Indefinite amount of cash and deposits with the central bank represents the statutory deposit reserves and fiscal deposits with the central bank. Indefinite amount of loans and advances to customers includes all the impaired loans, as well as those overdue for more than one month. Loans and advances to customers with no impairment but overdue within one month are classified into the category of "repayable on demand". Indefinite amount of financial investments represents impaired investments or those overdue for more than one month. Equity investments are listed under the category of "indefinite".

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39. RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The following tables are an analysis of contractual undiscounted cash flows of the non-derivative liabilities of the Group at the end of the reporting period:

	31 December 2021							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative liabilities								
Borrowings from the central bank	2,799,217	2,838,398	-	-	329,051	2,509,347	-	-
Deposits from banks and other financial institutions	1,297,166	1,310,868	86,388	206,405	-	1,018,075	-	-
Placements from banks and other financial institutions	210,169	211,353	-	-	211,353	-	-	-
Financial assets sold under repurchase agreements	15,345,732	15,349,518	-	14,179,985	1,037,035	132,498	-	-
Deposits from customers	199,207,180	208,651,905	61,010,636	5,107,666	5,457,766	51,748,529	85,327,308	-
Debt securities issued	58,967,189	60,626,000	-	2,605,600	14,660,000	36,380,000	4,502,400	2,478,000
Other liabilities	3,306,882	3,346,187	2,861,365	23,875	25,768	167,950	211,841	55,388
Total non-derivative liabilities	281,133,535	292,334,229	63,958,389	22,123,531	21,720,973	91,956,399	90,041,549	2,533,388

	31 December 2020							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Non-derivative liabilities								
Borrowings from the central bank	1,893,459	1,923,210	-	-	219,986	1,703,224	-	-
Deposits from banks and other financial institutions	1,905,784	1,955,658	138,019	202,863	11,403	1,603,373	-	-
Placements from banks and other financial institutions	800,730	840,352	-	-	5,975	313,194	521,183	-
Financial assets sold under repurchase agreements	13,430,473	13,432,971	-	12,279,873	1,077,455	75,643	-	-
Deposits from customers	176,781,696	185,640,179	62,606,323	7,361,735	10,356,990	33,638,833	71,676,298	-
Debt securities issued	52,176,626	53,068,343	-	250,018	17,401,706	31,142,432	4,274,187	-
Other liabilities	2,913,458	2,963,147	2,432,235	16,944	16,015	157,688	271,598	68,667
Total non-derivative liabilities	249,902,226	259,823,860	65,176,577	20,111,433	29,089,530	68,634,387	76,743,266	68,667

This analysis of contractual undiscounted cash flows of the non-derivative liabilities might be different from actual results.

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39. RISK MANAGEMENT (Continued)

(c) Liquidity risk (Continued)

The following tables analyse the contractual undiscounted cash flows of derivative financial instruments which held by the Group for trading purposes on a net basis. The remaining maturity date based on the remaining period at balance sheet date to the contractual maturity date. The amounts of derivative financial instruments included in each period are the contractual undiscounted cash flows.

	31 December 2021							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Derivatives settled on net basis	(167)	(493)	-	-	-	(90)	(403)	-

	31 December 2020							
	Carrying amount	Contractual undiscounted cash flows	Repayable on demand	Within one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years
Derivatives settled on net basis	86	86	-	-	-	-	86	-

This analysis of contractual undiscounted cash flows of the derivative financial instruments might be different from actual results.

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39. RISK MANAGEMENT (Continued)

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, human mistakes and information system failures, or impact from other external events.

The Group has specified issues of operational risks, including its manifestation, management mode, reporting procedure, reporting cycle and statistics of loss and improved comprehensive risk management system, with major initiatives as follows:

- Establishment of operational risk management system in a crisscrossing manner. On the one hand, the Group establishes an operational risk management framework that is compatible with its nature, scale, complexity and risk characteristics, including the operational risk management mechanism that involves its board of directors, board of supervisors, senior management, head office and branches. On the other hand, a three-tier risk prevention system of the front office, middle office and back office has been established for every major risk faced by the Group.
- Formation of business philosophy of compliance and robustness. The Group fosters favourable control environment, including constant advances and promotion in operational risk culture by the board of directors and senior management.
- Preference to low operational risk under the framework of “robust” risk preference. By conducting controls on operational risk including identification, measurement, resolution, monitoring and reporting, the Group establishes mechanisms for risk avoidance, loss prediction, prevention, control, reduction, financing to control operational risk within the carrying capacity of the Group and maximise its profits.
- Prevention of operational risks based on the means of inspection and supervision. All departments and branches of the head office actively perform their duties of supervision and management, conduct routine and special inspections on operational risks in major businesses, establish ledger of all problems identified for rectification and check-off. Based on the inspection by departments, the internal audit department fully uses the off-site audit system, business risk early-warning system and remote monitoring system to detect violations and pays constant attention to risk-prone problems to prevent operational risks. In the meantime, inspections and investigations are exercised on key businesses, key institutions and key personnel to prevent operational risks.
- Combination of punishment and incentives to encourage compliance and standard operations. Integral management will be implemented on personnel who violate operational standards for strict ascertainment of responsibility; employees are encouraged to spontaneously disclose and actively report operational risks; internal management, compliance operation, inspection and supervision and swindle prevention and control of the head office and branches shall be quantitatively assessed for penalty points; innovative implementation of compliance and internal control management of institutions shall be assessed for bonus points.
- Substantive achievements in carrying out system training and improving staff operation skills have been made for the management of operational risks of the Group.

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40. FAIR VALUE

(a) Methods and assumptions for measurement of fair value

The Group adopts the following methods and assumptions when evaluating fair values:

(i) Debt securities and equity investments

The fair values of debt securities and equity investments that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows.

(ii) Receivables and other non-derivative financial assets

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) Debt securities issued and other non-derivative financial liabilities

Fair values of debt securities issued are based on their quoted market prices at the end of the reporting period, or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(iv) Derivative financial instruments

Fair values of interest rate swaps are estimated as the present value of estimated future cash flows, discounted at the market interest rates at the end of the reporting period. Fair values of credit risk mitigation tools issued-financial guarantee contracts are based on their quoted market prices at the end of the reporting period.

(b) Fair value measurement

(i) Financial assets

The Group's financial assets mainly consist of cash and deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, derivative financial assets, financial assets held under resale agreements, loans and advances to customers, and financial investments.

Deposits with the central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements are mostly priced at market interest rates and due within one year. Accordingly, the carrying amounts approximate to the fair values.

Loans and advances to customers are mostly priced at floating rates close to the PBoC rates. Accordingly, the carrying amounts approximate to the fair values.

Derivative financial assets, financial investments at fair value through other comprehensive income, and financial assets at fair value through profit or loss are stated at fair value. The carrying amounts of financial investments at amortised cost are the reasonable approximations of their fair values because, for example, they are short-term in nature or repriced at current market rates frequently.

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40. FAIR VALUE (Continued)

(b) Fair value measurement (Continued)

(ii) Financial liabilities

The Group's financial liabilities mainly include deposits from banks and other financial institutions, placements from banks and other financial institutions, derivative financial liabilities, financial assets sold under repurchase agreements, deposits from customers, and debt securities issued.

The book value and fair value of debt securities issued are presented in Note 30. Derivative financial liabilities are stated at fair value. The carrying amounts of other financial liabilities approximate to their fair values.

(c) Fair value hierarchy

The following table presents the fair value of financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 *Fair Value Measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1: Fair value measured using only Level 1 inputs, i.e., unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date;
- Level 2: Fair value measured using Level 2 inputs, i.e., observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available; and
- Level 3: Fair value measured using significant unobservable inputs.

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40. FAIR VALUE (Continued)

(c) Fair value hierarchy (Continued)

If there is a reliable market quote for financial instruments, the fair value of financial instruments is based on quoted market prices. If a reliable quoted market price is not available, the fair value of the financial instruments is estimated using valuation techniques. Valuation techniques applied include reference to the fair value of another instrument that is substantially the same, and the discounted cash flow analysis. The inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and exchange rate. Where the discounted cash flow analysis is used, estimated cash flows are based on management's best estimates and the discount rate used is by reference to another instrument that is substantially the same.

	31 December 2021			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements assets				
<i>Financial investments at fair value through profit or loss</i>				
– debt securities and interbank deposits	–	3,048,856	94,390	3,143,246
– fund investments	–	30,012,395	–	30,012,395
– investment management products	–	367,738	2,036,552	2,404,290
– other investments	58,677	164,483	–	223,160
Derivative financial assets	–	236	–	236
<i>Financial investments at fair value through other comprehensive income</i>				
– debt securities and interbank deposits	–	4,618,512	–	4,618,512
– investment management products	–	691,541	–	691,541
– equity investments	–	–	120,700	120,700
<i>Loans and advances to customers measured at fair value through other comprehensive income</i>				
– discounted bills	–	30,896,556	–	30,896,556
Total	58,677	69,800,317	2,251,642	72,110,636
Recurring fair value measurements liabilities				
Derivative financial liabilities	–	403	–	403
Total	–	403	–	403

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40. FAIR VALUE (Continued)

(c) Fair value hierarchy (Continued)

	31 December 2020			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements assets				
<i>Financial investments at fair value through profit or loss</i>				
- debt securities	-	1,631,868	108,407	1,740,275
- fund investments	-	25,375,979	-	25,375,979
- investment management products	-	368,609	2,240,068	2,608,677
- other investments	-	-	50,155	50,155
Derivative financial assets	-	86	-	86
<i>Financial investments at fair value through other comprehensive income</i>				
- debt securities and interbank deposits	-	8,072,387	-	8,072,387
- investment management products	-	690,614	-	690,614
- equity investments	-	-	135,453	135,453
<i>Loans and advances to customers measured at fair value through other comprehensive income</i>				
- discounted bills	-	29,600,410	-	29,600,410
Total	-	65,739,953	2,534,083	68,274,036

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40. FAIR VALUE (Continued)

(c) Fair value hierarchy (Continued)

The movements during the year ended 31 December 2021 in the balance of Level 3 fair value measurements are as follows:

	1 January 2021	Total gains or losses				Purchases, issues, sales and settlements			Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
		Transfer into Level 3	Transfer out of Level 3	Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	
Assets									
Financial investments at fair value through profit or loss									
- debt securities	108,407	-	-	(14,017)	-	-	-	-	94,390
- investment management products	2,240,068	-	-	(201,516)	-	-	-	(2,000)	2,036,552
- other investments	50,155	-	-	(155)	-	-	-	(50,000)	-
Subtotal	2,398,630	-	-	(215,688)	-	-	-	(52,000)	2,130,942
Financial investments at fair value through other comprehensive income									
- equity investments	135,453	-	-	-	(14,753)	-	-	-	120,700
Total	2,534,083	-	-	(215,688)	(14,753)	-	-	(52,000)	2,251,642

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40. FAIR VALUE (Continued) (c) Fair value hierarchy (Continued)

The movements during the year ended 31 December 2020 in the balance of Level 3 fair value measurements are as follows:

	1 January 2020	Transfer into Level 3	Transfer out of Level 3	Total gains or losses		Purchases, issues, sales and settlements			Unrealised gains or losses for the period included in profit or loss for assets held at the end of the year
				Recorded in profit or loss	Recorded in other comprehensive income	Purchases	Issues	Sales	
Assets									
Financial investments at fair value through profit or loss									
- debt securities	149,297	-	-	(40,890)	-	-	-	-	108,407 (40,890)
- investment management products	2,276,444	-	-	(35,376)	-	-	-	(1,000)	2,240,068 (35,376)
- other investments	59,097	-	-	(853)	-	-	-	(8,089)	50,155 (853)
Subtotal	2,484,838	-	-	(77,119)	-	-	-	(9,089)	2,398,630 (77,119)
Financial investments at fair value through other comprehensive income									
- equity investments	151,190	-	-	-	(15,737)	-	-	-	135,453 -
Total	2,636,028	-	-	(77,119)	(15,737)	-	-	(9,089)	2,534,083 (77,119)

During the year ended 31 December 2021 and the year ended 31 December 2020, there were no significant transfers among instruments in Level 1, Level 2 and Level 3.

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40. FAIR VALUE (Continued)

(c) Fair value hierarchy (Continued)

The valuation techniques used and the qualitative and quantitative information of key parameters for recurring fair value measurements are categorised within Level 3.

Quantitative information of Level 3 fair value measurement is set out below:

	Fair value as at 31 December 2021	Valuation techniques	Unobservable inputs
Financial investments at fair value through profit or loss			
– debt securities	94,390	Discounted cash flow	Risk-adjusted discount rate, cash flow
– investment management products	2,036,552	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through other comprehensive income			
– equity investments	120,700	Discounted cash flow	Risk-adjusted discount rate, cash flow
	Fair value as at 31 December 2020	Valuation techniques	Unobservable inputs
Financial investments at fair value through profit or loss			
– debt securities	108,407	Discounted cash flow	Risk-adjusted discount rate, cash flow
– other investments	50,155	Discounted cash flow	Risk-adjusted discount rate, cash flow
– investment management products	2,240,068	Discounted cash flow	Risk-adjusted discount rate, cash flow
Financial investments at fair value through other comprehensive income			
– equity investments	135,453	Discounted cash flow	Risk-adjusted discount rate, cash flow

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40. FAIR VALUE (Continued)

(c) Fair value hierarchy (Continued)

During the years ended 31 December 2021 and 2020, there was no significant change in the valuation techniques.

As at 31 December 2021 and 31 December 2020, unobservable inputs such as risk-adjusted discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly equity investments and investment management products. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

The sensitivity of the fair value on changes in unobservable inputs for Level 3 financial instruments is measured at fair value on an ongoing basis.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of favourable or unfavourable 1 percent of change in fair value to reasonably possible alternative assumptions.

	At 31 December 2021			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Financial investments at fair value through profit or loss				
– debt securities	2,001	(1,960)	–	–
– investment management products	36,819	(35,554)	–	–
Financial investments at fair value through other comprehensive income				
– equity investments	–	–	7,317	(6,709)

	At 31 December 2020			
	Effect on net profit		Effect on other comprehensive income	
	Favourable	(Unfavourable)	Favourable	(Unfavourable)
Financial investments at fair value through profit or loss				
– debt securities	2,873	(2,787)	–	–
– other investments	375	(368)	–	–
– investment management products	34,060	(32,440)	–	–
Financial investments at fair value through other comprehensive income				
– equity investments	–	–	945	(790)

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41. FIDUCIARY ACTIVITIES

(a) Entrusted lending business

The Group provides entrusted lending business services to customers. All entrusted loans are funded by entrusted funds from these customers. The Group does not take any credit risk in relation to these transactions. The Group acts as an agent to hold and manage these assets and liabilities at the direction of the entrustor and receives fee income for the services provided. The entrusted assets are not the assets of the Group and are not recognised in the statement of financial position. Surplus funding is accounted for as other liabilities.

	31 December 2021	31 December 2020
Entrusted loans	9,752,254	8,239,963
Entrusted funds	9,752,741	8,240,332

(b) Intermediary matchmaking service

As at 31 December 2021 and 31 December 2020, the balances of intermediary matchmaking service business were as follows:

	31 December 2021	31 December 2020
Intermediary matchmaking service business	5,416,684	7,222,838

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42. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's credit commitments are in the form of approved loans with signed contracts, credit card commitments, bank acceptances, letters of credit and financial guarantees.

The contractual amounts of loan commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

	31 December 2021	31 December 2020
Loan commitments		
– Original contractual maturity within one year	9,413,161	2,163,216
– Original contractual maturity more than one year (inclusive)	5,351,831	7,604,160
Credit card commitments	6,557,794	6,677,521
Subtotal	21,322,786	16,444,897
Acceptances	43,989,895	42,685,919
Letters of credit	5,797,724	4,348,112
Letters of guarantees	201,844	709,755
Total	71,312,249	64,188,683

The Group may be exposed to credit risk in all the above credit businesses. The Group's management periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of the expected future cash outflows.

(b) Credit risk-weighted amount for credit commitments

	31 December 2021	31 December 2020
Credit risk-weighted amounts for credit commitments	35,111,798	30,556,100

The credit risk-weighted amount for credit commitments represents the amount calculated with reference to the guidelines issued by the former CBRC.

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42. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(c) Capital commitments

As at the end of the reporting period, the Group's authorised capital commitments are as follows:

	31 December 2021	31 December 2020
Contracted but not paid for	117,831	129,275
Authorised but not contracted for	–	–
Total	117,831	129,275

(d) Outstanding litigations and disputes

As at 31 December 2021, the Group was the defendant in certain outstanding litigations and disputes with an estimated gross amount of RMB3 million (31 December 2020: RMB10 million). The Group has assessed the impact of the above outstanding litigation and disputes that may lead to an outflow of economic benefits. In the opinion of the Group's lawyers and external lawyers, it is unlikely for the Group to receive unfavourable ruling in these cases. Therefore, the Group did not make provision for the litigation. The directors of the Bank are of the view that these litigations will not have any material adverse effects on the Group's businesses, financial condition, results of operations or prospects.

(e) Bond underwriting commitments and redemption obligations

The Group has no outstanding bond underwriting commitments at the end of the reporting period.

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back its bonds if the holders decide to early redeem the bonds. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payable to the bond holders is calculated in accordance with relevant rules of the Ministry of Finance ("MOF") and the PBoC. The redemption price may be different from the fair value of similar instruments traded in the markets at the redemption date.

The redemption obligations below represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured at 31 December 2021 or 31 December 2020:

	31 December 2021	31 December 2020
Redemption obligations	3,006,715	2,969,900

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42. COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

(f) Pledged assets

(i) Assets pledged as collateral

	31 December 2021	31 December 2020
For repurchase agreements:		
– Financial investments measured at amortised cost	12,136,216	13,102,283
– Discounted bills	4,136,042	1,391,874
Total	16,272,258	14,494,157

Financial assets pledged by the Group as collateral for liabilities are mainly debt securities for repurchase agreements.

(ii) Pledged assets received

The Group conducts resale agreements under standard terms of placements and holds collateral for these transactions. The Group's balance of the financial assets held under resale agreements is disclosed in Note 18. The fair value of such collateral accepted by the Group was RMB26,831 million as at 31 December 2021 (31 December 2020: RMB19,127 million). These transactions were conducted under standard terms in the normal course of business.

43. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

(a) Structured entities sponsored by third party institutions in which the Group holds interests

The Group holds interests in certain structured entities sponsored by third party institutions through investments in the units issued by these structured entities. Such structured entities include funds, trust schemes and asset management plans issued by financial institutions. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.

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43. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

(a) Structured entities sponsored by third party institutions in which the Group holds interests (Continued)

The following table sets out an analysis of the carrying amounts of interests held by the Group in unconsolidated structured entities, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised as at 31 December 2021 and 31 December 2020:

	31 December 2021		31 December 2020	
	Carrying amount	Maximum exposure	Carrying amount	Maximum exposure
Financial investments at fair value through profit or loss	31,156,284	31,156,284	28,034,811	28,034,811
Financial investments at fair value through other comprehensive income	691,541	691,541	690,614	690,614
Financial investments at amortised cost	1,748,543	1,748,543	18,238,227	18,238,227
Total	33,596,368	33,596,368	46,963,652	46,963,652

As at 31 December 2021 and 31 December 2020, the carrying amounts of the unconsolidated structured entities were equal to the maximum exposures.

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds interests

The types of unconsolidated structured entities sponsored by the Group include non-principal guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of units to investors. Interests held by the Group include investments in units issued by these structured entities and fees charged by providing management services. As at 31 December 2021 and 31 December 2020, the carrying amounts of the investments in the units issued by these structured entities and management fee receivables being recognised were not material in the statement of financial position.

For the year ended 31 December 2021, the amount of fee and commission income received from the above-mentioned structured entities by the Group was RMB178 million (2020: RMB149 million).

As at 31 December 2021, the amount of assets held by the unconsolidated non-principal guaranteed wealth management products, which are sponsored by the Group, was RMB52,081 million (31 December 2020: RMB38,335 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
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43. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (Continued)

(c) Unconsolidated structured entities sponsored by the Group during the period in which the Group does not have interests as at 31 December 2021

For the year ended 31 December 2021, the aggregate amount of the non-principal guaranteed wealth management products sponsored and issued by the Group after 1 January and matured before 31 December was RMB2,495 million (year ended 31 December 2020: RMB14,690 million).

44. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2021	31 December 2020
Assets			
Cash and deposits with the central bank		23,991,095	20,496,210
Deposits with banks and other financial institutions		1,430,479	1,841,945
Placements with banks and other financial institutions		2,700,264	1,100,435
Derivative financial assets		236	86
Financial assets held under resale agreements		26,351,992	18,915,305
Loans and advances to customers		150,885,748	131,578,344
Financial investments:			
Financial investments at fair value through profit or loss		35,783,091	29,775,086
Financial investments at fair value through other comprehensive income		5,430,753	8,898,454
Financial investments at amortised cost		51,352,825	52,986,363
Interest in an associate		318,624	294,119
Investment in a subsidiary	22	25,500	25,500
Property and equipment		1,394,406	1,478,441
Deferred tax assets		1,708,339	1,684,646
Other assets		1,277,698	1,173,927
Total assets		302,651,050	270,248,861

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For the year ended 31 December 2021
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44. COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

(Continued)

	As at 31 December 2021	As at 31 December 2020
Liabilities and equity		
Liabilities		
Borrowing from the central bank	2,794,561	1,893,459
Deposits from banks and other financial institutions	1,297,221	1,961,243
Placements from banks and other financial institutions	210,169	800,730
Derivative financial liabilities	403	–
Financial assets sold under repurchase agreements	15,345,732	13,430,473
Deposits from customers	198,602,717	176,076,245
Income tax payable	64,839	272,139
Debt securities issued	58,967,189	52,176,626
Other liabilities	3,229,170	2,627,898
Total liabilities	280,512,001	249,238,813
Equity		
Share capital	5,838,650	5,838,650
Capital reserve	6,627,602	6,627,602
Surplus reserve	3,792,525	3,623,310
General reserve	3,151,208	2,801,940
Fair value reserve	(30,580)	(64,335)
Impairment reserve	3,448	12,892
Deficit on remeasurement of net defined benefit liability	(4,365)	(765)
Retained earnings	2,760,561	2,170,754
Total equity	22,139,049	21,010,048
Total liabilities and equity	302,651,050	270,248,861

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

Hao Qiang
Chairwoman of the Board

Zhang Yunfei
Executive Director

Hou Xiuping
Chief Financial Officer

(Company chop)

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For the year ended 31 December 2021
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45. SUBSEQUENT EVENTS

The Group had no material events for disclosure subsequent to the balance sheet date and up to the date of this Financial Statements approved.

Notes to the Consolidated Financial Statements

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46. UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

The information set out below does not form part of the consolidated financial statements and is included herein for the purpose of providing information only.

In accordance with the Listing Rules and Banking (Disclosure) Rules, the Group discloses the unaudited supplementary financial information as follows:

(1) Liquidity coverage ratio, leverage ratio and net stable funding ratio

(a) Liquidity coverage ratio

	31 December 2021	Average for the year ended 31 December 2021
Liquidity coverage ratio (RMB and foreign currencies)	322.30%	232.61%

	31 December 2020	Average for the year ended 31 December 2020
Liquidity coverage ratio (RMB and foreign currencies)	327.19%	229.90%

Pursuant to the *Administrative Measures on the Liquidity Risk Management of Commercial Banks*, the minimum regulatory requirement of liquidity coverage ratio is 100%.

(b) Leverage ratio

	31 December 2021	31 December 2020
Leverage ratio	6.18%	6.53%

Pursuant to the *Administrative Measures on the Leverage Ratio of Commercial Banks* issued by the former CBRC which became effective on 1 April 2015, a minimum leverage ratio of 4% is required.

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46. UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Continued)

(1) Liquidity coverage ratio, leverage ratio and net stable funding ratio (Continued)

(c) Net stable funding ratio

	31 December 2021	30 September 2021	31 December 2020
Net stable funding ratio	138.32%	135.68%	141.19%

Pursuant to the *Administrative Measures on the Liquidity Risk Management of Commercial Banks*, a minimum net stable funding ratio of 100% is required.

The above liquidity coverage ratio, leverage ratio and net stable funding ratio are calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with PRC GAAP.

(2) Currency Concentrations

	31 December 2021			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	33,683	2,168	155	36,006
Spot liabilities	(33,071)	(48)	(169)	(33,288)
Net position	612	2,120	(14)	2,718

	31 December 2020			Total
	US Dollars (RMB equivalent)	HK Dollars (RMB equivalent)	Others (RMB equivalent)	
Spot assets	34,587	32,698	209	67,494
Spot liabilities	(33,962)	(30,572)	(223)	(64,757)
Net position	625	2,126	(14)	2,737

As at 31 December 2021, the Group's structural position amounted to RMB32 million (31 December 2020: RMB33 million).

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46. UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Continued)

(3) International claims

The Group is principally engaged in business operations within mainland China, and regards all claims on third parties in Hong Kong, Macau, Taiwan and other countries and areas as international claims.

International claims include loans and advances to customers, deposits with the central bank, amounts due from banks and other financial institutions.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	31 December 2021		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	1,071	–	1,071
Europe	76	–	76
Total	1,147	–	1,147

	31 December 2020		
	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	32,650	–	32,650
Europe	149	–	149
Total	32,799	–	32,799

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021
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46. UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Continued)

(4) Gross amounts of overdue loans and advances

	31 December 2021	31 December 2020
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	77,547	829,674
– between 6 months and 1 year (inclusive)	1,355,861	716,203
– between 1 year and 3 years (inclusive)	997,495	461,409
– over 3 years	167,276	174,258
Total	2,598,179	2,181,544
Percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.05%	0.61%
– between 6 months and 1 year (inclusive)	0.87%	0.53%
– between 1 year and 3 years (inclusive)	0.64%	0.34%
– over 3 years	0.11%	0.13%
Total	1.67%	1.61%

List of Branches

As at December 31, 2021, the details of the branches of the Bank are as follows:

No.	Institution name	Institution address	Note
1.	Head office	No. 59 Changfeng Street, Xiaodian District, Taiyuan, Shanxi Province	4 sub-branches directly administered by the head office and 79 outlets under its jurisdiction
2.	Lvliang Branch	Intersection of Changzhi Road and Longfeng Street, Lishi District, Lvliang, Shanxi Province	7 outlets under its jurisdiction
3.	Yuncheng Branch	No. 989 Pu'an Street, Yanhu District, Yuncheng, Shanxi Province	8 outlets under its jurisdiction
4.	Linfen Branch	Block B, Guangqi Fortune Center, Hefen Road, Linfen, Shanxi Province	10 outlets under its jurisdiction
5.	Shuozhou Branch	North side of Zhenhua East Street, Shuozhou Economic Development Zone, Shanxi Province	11 outlets under its jurisdiction
6.	Datong Branch	No. 46, Weidu Avenue, Datong, Shanxi Province	10 outlets under its jurisdiction
7.	Changzhi Branch	No. 288 Chengdong Road, Changzhi, Shanxi Province	9 outlets under its jurisdiction
8.	Xinzhou Branch	Yiren Commercial Complex, Jianshe South Road, Xinfu District, Xinzhou, Shanxi Province	12 outlets under its jurisdiction
9.	Jincheng Branch	1/F – 2/F, Zizhulin Building, Fengtai West Street, Jincheng, Shanxi Province	6 outlets under its jurisdiction
10.	Jinzhong Branch	No. 678, Anning Street, Yuci District, Jinzhong, Shanxi Province	7 outlets under its jurisdiction
11.	Yangquan Branch	1/F – 5/F, Commercial Building, Wanlong International Phase I, Nanda East Street, Yangquan, Shanxi Province	3 outlets under its jurisdiction



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