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

**(Stock Code: 0416)**

**(Stock Code of Preference Shares: 4615)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021**

The Board of Directors of Bank of Jinzhou Co., Ltd.\* (錦州銀行股份有限公司) is pleased to announce the audited annual results of the Bank for the year ended 31 December 2021 prepared in accordance with the International Financial Reporting Standards (the “IFRSs”) promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed the annual results.

### **1. CORPORATE INFORMATION**

#### **1.1 Corporate Basic Information**

Legal Name and Abbreviation in Chinese:	錦州銀行股份有限公司 (Abbreviation: 錦州銀行)
Legal Name in English:	BANK OF JINZHOU CO., LTD. (Abbreviation: BANK OF JINZHOU)
Legal Representative:	Mr. Wei Xuekun
Authorised Representatives:	Mr. Wei Xuekun, Mr. Guo Wenfeng
Listing Exchange of H Shares:	Hong Kong Stock Exchange
Stock Name of H Shares:	BANKOFJINZHOU
Stock Code of H Shares:	0416
Listing Exchange of Offshore Preference Shares:	Hong Kong Stock Exchange
Stock Name of Offshore Preference Shares:	BOJZ 17USDPREF
Stock Code of Offshore Preference Shares:	4615

## 1.2 Contact Persons and Contact Details

Secretary to the Board:	Mr. Yu Jun
Joint Company Secretaries:	Mr. Yu Jun, Dr. Ngai Wai Fung
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Registered Address:	No. 68 Keji Road, Jinzhou City, Liaoning Province, the People's Republic of China
Principal Place of Business in Hong Kong:	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong

## 2. FINANCIAL HIGHLIGHTS

Between the financial statements of the Bank prepared in accordance with China Accounting Standards for Business Enterprises and those in accordance with IFRSs, there is no difference in respect of the net profit attributable to Ordinary Shareholders of the Bank for the Reporting Period and the net asset attributable to Ordinary Shareholders of the Bank as at the end of the Reporting Period.

### 2.1 Financial Data

	For the year ended 31 December					
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2021	2020	2021 vs 2020 Change (%)	2019	2018	2017
<b>Operating Results</b>						
Interest income	39,297,278	37,344,545	5.2	47,820,476	46,002,674	39,943,533
Interest expense	(27,249,528)	(28,045,398)	(2.8)	(28,475,443)	(26,901,602)	(21,410,609)
<b>Net interest income</b>	<b>12,047,750</b>	<b>9,299,147</b>	<b>29.6</b>	<b>19,345,033</b>	<b>19,101,072</b>	<b>18,532,924</b>
Net fee and commission income	368,398	174,690	110.9	231,714	757,528	736,674
Net trading gains/(losses)	85,094	(118,122)	(172.0)	3,372,617	1,491,100	(278,264)
Dividend income	16,328	1,440	1,033.9	1,200	880	640
Net gains arising from investment securities	30,335	1,721	1,662.6	240,556	100,234	30,796
Net foreign exchange gains/(losses)	16,391	(78,105)	(121.0)	(42,008)	(183,660)	(239,637)
Other net operating income	3,508	28,522	(87.7)	20,587	16,045	22,859
<b>Operating income</b>	<b>12,567,804</b>	<b>9,309,293</b>	<b>35.0</b>	<b>23,169,699</b>	<b>21,283,199</b>	<b>18,805,992</b>
Operating expenses	(3,168,144)	(3,318,583)	(4.5)	(3,761,683)	(3,586,646)	(3,308,138)

For the year ended 31 December

*(Expressed in thousands of*

*Renminbi, unless otherwise stated)*

	2021	2020	2021 vs 2020 Change (%)	2019	2018	2017
<b>Operating Results</b>						
<b>Operating profit before impairment</b>	<b>9,399,660</b>	<b>5,990,710</b>	<b>56.9</b>	<b>19,408,016</b>	<b>17,696,553</b>	<b>15,497,854</b>
Impairment losses on assets	(8,875,671)	(5,662,563)	56.7	(20,846,120)	(23,683,718)	(3,444,523)
<b>Profit/(loss) before taxation</b>	<b>523,989</b>	<b>328,147</b>	<b>59.7</b>	<b>(1,438,104)</b>	<b>(5,987,165)</b>	<b>12,053,331</b>
Income tax (expense)/credit	(421,650)	(174,620)	141.5	327,858	1,449,054	(2,963,273)
<b>Net profit/(loss)</b>	<b>102,339</b>	<b>153,527</b>	<b>(33.3)</b>	<b>(1,110,246)</b>	<b>(4,538,111)</b>	<b>9,090,058</b>
Net profit/(loss) attributable to equity shareholders of the parent company	1,272,581	404,569	214.6	(958,545)	(4,593,447)	8,976,990
<b>Calculated on a Per Share Basis (RMB)</b>			<b>Change</b>			
Basic and diluted earnings/(losses) per share	0.05	(0.02)	0.07	(0.12)	(0.77)	1.32

*(Expressed in thousands of*

*Renminbi, unless otherwise stated)*

	As at 31 December					
	2021	2020	2021 vs 2020 Change (%)	2019	2018	2017
<b>Major Indicators of Assets/Liabilities</b>						
<b>Total assets</b>	<b>849,662,002</b>	<b>777,992,324</b>	<b>9.2</b>	<b>836,694,191</b>	<b>845,922,748</b>	<b>723,417,650</b>
Of which: net loans and advances to customers	586,322,888	495,464,197	18.3	452,695,511	349,110,123	209,084,947
<b>Total liabilities</b>	<b>778,651,713</b>	<b>706,750,144</b>	<b>10.2</b>	<b>777,188,742</b>	<b>785,159,604</b>	<b>663,252,922</b>
Of which: deposits from customers	476,072,906	439,223,670	8.4	407,112,779	445,576,089	342,264,228
Share capital	13,981,616	13,981,616	–	7,781,616	7,781,616	6,781,616
Total equity attributable to equity shareholders of the parent company	68,597,542	67,659,191	1.4	55,671,418	56,777,412	56,230,555
<b>Total equity</b>	<b>71,010,289</b>	<b>71,242,180</b>	<b>(0.3)</b>	<b>59,505,449</b>	<b>60,763,144</b>	<b>60,164,728</b>

## 2.2 Financial Indicators

	For the year ended 31 December					
	2021	2020	2021 vs 2020 Change	2019	2018	2017
<b>Profitability Indicators (%)</b>						
Return on average total assets <sup>(1)</sup>	0.01	0.02	(0.01)	(0.13)	(0.58)	1.44
Return on average equity <sup>(2)</sup>	2.19	0.78	1.41	(2.07)	(9.86)	21.03
Net interest spread <sup>(3)</sup>	1.38	1.68	(0.30)	2.29	1.93	2.58
Net interest margin <sup>(4)</sup>	1.60	1.42	0.18	2.48	2.46	2.88
Net fee and commission income						
to operating income ratio	2.93	1.88	1.05	1.00	3.56	3.92
Cost-to-income ratio <sup>(5)</sup>	22.68	32.35	(9.67)	15.02	15.91	15.71
<b>As at 31 December</b>						
	2021	2020	2021 vs 2020 Change	2019	2018	2017
<b>Assets Quality Indicators (%)</b>						
Non-performing loan ratio <sup>(6)</sup>	2.75	2.07	0.68	7.70	4.99	1.04
Provision coverage ratio <sup>(7)</sup>	166.82	198.67	(31.85)	115.01	123.75	268.64
Provision to loans ratio <sup>(8)</sup>	4.59	4.11	0.48	8.86	6.18	2.81
<b>Capital Adequacy Indicators (%)</b>						
<b>Change</b>						
Core tier-one capital						
adequacy ratio <sup>(9)</sup>	8.29	8.23	0.06	5.15	6.07	8.44
Tier-one capital adequacy ratio <sup>(10)</sup>	9.73	9.65	0.08	6.47	7.43	10.24
Capital adequacy ratio	11.50	11.76	(0.26)	8.09	9.12	11.67
Total equity to total assets	8.36	9.16	(0.80)	7.11	7.18	8.32

*Notes:*

- (1) Represents the net profit for the year as a percentage of the average balance of total assets at the beginning and the end of that year.
- (2) Represents the Bank's net profit attributable to the parent company for the year as a percentage of the average balance of net assets attributable to shareholders of ordinary shares of the parent company at the beginning and at the end of that year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets, which was calculated based on the daily average of the interest-earning assets.
- (5) Cost-to-income ratio = operating expenses (excluding tax and surcharges)/operating income.
- (6) Non-performing loan ratio = total non-performing loans/total loans and advances to customers.
- (7) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans.
- (8) Provision-to-loans ratio = provision for impairment losses on loans/total loans and advances to customers.
- (9) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (10) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.

### 3. MANAGEMENT DISCUSSIONS AND ANALYSIS

#### 3.1 Environment and Business Overview

2021 is a landmark year in the history of the Chinese Communist Party and China. China calmly responded to the changes in the past century and the COVID-19 epidemic (“**Epidemic**”), coordinated the Epidemic prevention and control while maintaining economic and social development, and the economy recovered continually. China speeded up in enhancing the strength of national strategies and technologies, accelerated the integration of digital technology and the real economy, continually optimized the economic structure and regional layout, and further improved the resilience of industrial chains, deeply advanced the reform and opening-up, vigorously guaranteed people’s livelihood and constantly promoted the civilized construction on ecology, thereby realizing a good beginning of the “14th Five-Year Plan”. China insisted on implementing a prudent monetary policy to further improve the quality and effectiveness of financial services for the real economy and optimize and implement policies to help enterprises to alleviate difficulties, and thus effectively prevent and resolve financial risks, and continuously deepen financial reform and opening up. Meanwhile, China faced triple pressures, namely the shrinking demands, supply shocks and the weakening expectation, on economic development, and the external environment has become more complicated and serious. However, the fundamentals of China’s economy, characterized by strong resilience and long-term sustainability, remain unchanged.

During the Reporting Period, the Bank earnestly enhanced the comprehensive leadership of the Party and adhered to the development concept of “compliance, innovation, coordination and quality”, gradually deepened the reform of systems and mechanisms, accelerated in the implementation of the three-year strategic development plan, constructed sound development foundation and consolidated the results of reform and reorganizations. The Bank maintained strategic stability, implemented the scientific strategy and continuously improved the system of regulations and operating mechanism on corporate governance. Based on main responsibilities and main operations, it implemented “six stabilities”(六穩) and “six warranties”(六保) tasks to fulfill social responsibilities and support regional development. It orderly lent corporate and inclusive loans, continued to center on customers, diversified the product base and constantly optimized the operation, development and business structure. The Bank strengthened the comprehensive governance on internal control, standardized the process of systems and authorization, supervision, accountability and rectification mechanisms, resulting in an increasingly strong atmosphere of compliance culture. It improved the risk management and control mechanisms and continuously promoted data governance. The credit operation and management level and the risk resilience were enhanced. The Bank intensified innovation driven by technology, advanced smart finance and digital transformation, actively supported the construction of smart cities and developed diversified scenarios. It developed internet finance and the “mobile first” project, enhanced the capabilities in online and offline customer acquisition as well as activating and retaining customers and improved the efficiency of operation and management.

During the Reporting Period, the Bank’s operating income was RMB12,568 million, representing a year-on-year increase of 35.0%, and net profit was RMB102 million. As at the end of the Reporting Period, the Bank’s total assets amounted to RMB849,662 million, representing an increase of 9.2% compared to the end of the previous year; net loans and advances to customers amounted to RMB586,323 million, representing an increase of 18.3% compared to the end of the previous year, and the non-performing loan ratio was 2.75%; the balance of deposits from customers amounted to RMB476,073 million, representing an increase of 8.4% compared to the end of the previous year. As at the end of the Reporting Period, the Bank’s capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio were 11.50%, 9.73% and 8.29%, respectively.

## 3.2 Analysis of the Financial Statements

### 3.2.1 Analysis of the income statement

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2021	2020	Change in amount	Rate of change (%)
Interest income	39,297,278	37,344,545	1,952,733	5.2
Interest expense	(27,249,528)	(28,045,398)	795,870	(2.8)
<b>Net interest income</b>	<b>12,047,750</b>	<b>9,299,147</b>	<b>2,748,603</b>	<b>29.6</b>
Net fee and commission income	368,398	174,690	193,708	110.9
Net trading gains/(losses)	85,094	(118,122)	203,216	(172.0)
Dividend income	16,328	1,440	14,888	1,033.9
Net gains arising from investment securities	30,335	1,721	28,614	1,662.6
Net foreign exchange gains/(losses)	16,391	(78,105)	94,496	(121.0)
Other net operating income	3,508	28,522	(25,014)	(87.7)
<b>Operating income</b>	<b>12,567,804</b>	<b>9,309,293</b>	<b>3,258,511</b>	<b>35.0</b>
Operating expenses	(3,168,144)	(3,318,583)	150,439	(4.5)
<b>Operating profit before impairment</b>	<b>9,399,660</b>	<b>5,990,710</b>	<b>3,408,950</b>	<b>56.9</b>
Impairment losses on assets	(8,875,671)	(5,662,563)	(3,213,108)	56.7
<b>Profit before tax</b>	<b>523,989</b>	<b>328,147</b>	<b>195,842</b>	<b>59.7</b>
Income tax expense	(421,650)	(174,620)	(247,030)	141.5
<b>Net profit</b>	<b>102,339</b>	<b>153,527</b>	<b>(51,188)</b>	<b>(33.3)</b>

During the Reporting Period, the Bank's profit before tax was RMB524 million and net profit was RMB102 million. Net interest income was RMB12,048 million, representing an increase of RMB2,749 million or 29.6% as compared with that for the year ended 31 December 2020, primarily due to the increase in the average balance of the Bank's interest-earning assets.

### 3.2.1.1 Net interest income

Net interest income accounted for the largest portion of the Bank's operating income, representing 95.9% and 99.9% of operating income for the Reporting Period and the year ended 31 December 2020, respectively. The following table sets forth, for the years indicated, the interest income, interest expense and net interest income of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			Rate of change (%)
	2021	2020	Change in amount	
Interest income	39,297,278	37,344,545	1,952,733	5.2
Interest expense	<u>(27,249,528)</u>	<u>(28,045,398)</u>	<u>795,870</u>	(2.8)
<b>Net interest income</b>	<b><u>12,047,750</u></b>	<b><u>9,299,147</u></b>	<b><u>2,748,603</u></b>	<b>29.6</b>

The following table sets forth, for the years indicated, the average balance of interest-earning assets and interest-bearing liabilities, the relevant interest income or expense and relevant average yield on interest-earning assets or relevant average cost on interest-bearing liabilities of the Bank:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
<b>Interest-earning Assets</b>						
Loans and advances to customers	523,418,850	32,811,380	6.27	420,041,875	27,013,583	6.43
Investment securities and other financial assets	165,435,941	5,266,292	3.18	161,189,488	8,769,075	5.44
Deposits with the central bank	49,618,641	765,047	1.54	45,808,596	704,814	1.54
Deposits with banks and other financial institutions	1,385,845	22,464	1.62	7,616,576	127,585	1.68
Placements with banks and other financial institutions	6,030,914	383,682	6.36	6,837,451	277,582	4.06
Financial assets held under resale agreements	1,314,730	25,238	1.92	7,164,898	134,629	1.88
Finance lease receivables	<u>4,283,846</u>	<u>23,175</u>	0.54	<u>5,227,437</u>	<u>317,277</u>	6.07
<b>Total interest-earning assets</b>	<b><u>751,488,767</u></b>	<b><u>39,297,278</u></b>	<b>5.23</b>	<b><u>653,886,321</u></b>	<b><u>37,344,545</u></b>	<b>5.71</b>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	2021			2020		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
<b>Interest-bearing Liabilities</b>						
Deposits from customers	451,735,656	17,274,744	3.82	396,057,927	14,904,522	3.76
Deposits from banks and other financial institutions	125,186,008	5,932,713	4.74	156,635,816	7,771,528	4.96
Placements from banks and other financial institutions	22,692,280	806,802	3.56	14,373,567	469,524	3.27
Financial assets sold under repurchase agreements	57,672,213	1,491,403	2.59	15,068,002	403,614	2.68
Debt securities payable	50,057,950	1,730,944	3.46	113,884,172	4,472,319	3.93
Borrowing from the central bank	<u>578,131</u>	<u>12,922</u>	2.24	<u>568,576</u>	<u>23,891</u>	4.20
<b>Total interest-bearing liabilities</b>	<b><u>707,922,238</u></b>	<b><u>27,249,528</u></b>	<b>3.85</b>	<b><u>696,588,060</u></b>	<b><u>28,045,398</u></b>	<b>4.03</b>
Net interest income		12,047,750			9,299,147	
<b>Net interest spread <sup>(1)</sup></b>			<b>1.38</b>			<b>1.68</b>
<b>Net interest margin <sup>(2)</sup></b>			<b>1.60</b>			<b>1.42</b>

*Notes:*

- (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (2) Calculated by dividing net interest income by the average interest-earning assets (based on the daily average of the interest-earning assets).

The following table sets forth, for the years indicated, the changes in the Bank's interest income and interest expense attributable to changes in volume and interest rate. Changes in volume are measured by changes in the average balances of interest-earning assets and interest-bearing liabilities and changes in interest rate are measured by the average interest rates of the interest-earning assets and interest-bearing liabilities. Effect of changes caused by both volume and interest rate has been allocated to changes in net interest income.

	<b>For the year ended 31 December 2021 vs 2020</b>		
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>Increase / (decrease) due to volume<sup>(1)</sup></b>	<b>interest rate<sup>(2)</sup></b>	<b>Net increase/ (decrease)<sup>(3)</sup></b>
<b>Interest-earning Assets</b>			
Loans and advances to customers	6,648,343	(850,546)	5,797,797
Investment securities and other financial assets	231,017	(3,733,800)	(3,502,783)
Deposits with the central bank	58,622	1,611	60,233
Deposits with banks and other financial institutions	(104,371)	(750)	(105,121)
Placements with banks and other financial institutions	(32,743)	138,843	106,100
Financial assets held under resale agreements	(109,925)	534	(109,391)
Finance lease receivables	(57,271)	(236,831)	(294,102)
<b>Changes in interest income</b>	<b><u>6,633,672</u></b>	<b><u>(4,680,939)</u></b>	<b><u>1,952,733</u></b>
<b>Interest-bearing Liabilities</b>			
Deposits from customers	2,095,274	274,948	2,370,222
Deposits from banks and other financial institutions	(1,560,391)	(278,424)	(1,838,815)
Placements from banks and other financial institutions	271,737	65,541	337,278
Financial assets sold under repurchase agreements	1,141,203	(53,414)	1,087,789
Debt securities payable	(2,506,505)	(234,870)	(2,741,375)
Borrowing from the central bank	401	(11,370)	(10,969)
<b>Changes in interest expense</b>	<b><u>(558,281)</u></b>	<b><u>(237,589)</u></b>	<b><u>(795,870)</u></b>
<b>Changes in net interest income</b>	<b><u><u>7,191,953</u></u></b>	<b><u><u>(4,443,350)</u></u></b>	<b><u><u>2,748,603</u></u></b>

Notes:

- (1) Represents the average balance for the Reporting Period minus the average balance for the previous year, multiplied by the average yield/average cost for such previous year.
- (2) Represents the average yield/average cost for the Reporting Period minus the average yield/average cost for the previous year, multiplied by the average balance for the year.
- (3) Represents interest income or expense for the Reporting Period minus interest income or expense for the previous year.

### 3.2.1.2 Interest income

The following table sets forth, for the years indicated, the breakdown of the Bank's interest income:

	For the year ended 31 December			
	2021		2020	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Amount	% of total	Amount	% of total
Loans and advances to customers				
Corporate loans and advances	31,348,196	79.8	26,344,475	70.6
Personal loans	485,806	1.2	417,313	1.1
Discounted bills	977,378	2.5	251,795	0.7
<b>Subtotal</b>	<b><u>32,811,380</u></b>	<b><u>83.5</u></b>	<b><u>27,013,583</u></b>	<b><u>72.4</u></b>
Investment securities and other financial assets	5,266,292	13.3	8,769,075	23.5
Deposits with the central bank	765,047	1.9	704,814	1.9
Deposits with banks and other financial institutions	22,464	0.1	127,585	0.3
Financial assets held under resale agreements	25,238	0.1	134,629	0.4
Placements with banks and other financial institutions	383,682	1.0	277,582	0.7
Finance lease receivables	23,175	0.1	317,277	0.8
<b>Total</b>	<b><u><u>39,297,278</u></u></b>	<b><u><u>100.0</u></u></b>	<b><u><u>37,344,545</u></u></b>	<b><u><u>100.0</u></u></b>

The Bank's interest income increased by 5.2% to RMB39,297,278,000 in the Reporting Period from RMB37,344,545,000 for the year ended 31 December 2020, mainly due to the increase of the average balance of interest-earning assets.

### **(1) Interest income from loans and advances to customers**

Interest income from loans and advances to customers constituted a large component of the Bank's interest income, representing 83.5% and 72.4% of the Bank's interest income in the Reporting Period and for the year ended 31 December 2020, respectively. The following table sets forth, for the years indicated, the average balance of loans and advances to customers, relevant interest income and average yield for loans and advances to customers:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	Average balance	2021 Interest income	Average yield (%)	Average balance	2020 Interest income	Average yield (%)
Corporate loans and advances	475,256,105	31,348,196	6.60	400,524,629	26,344,475	6.58
Personal loans	10,277,173	485,806	4.73	9,749,546	417,313	4.28
Discounted bills	37,885,572	977,378	2.58	9,767,700	251,795	2.58
<b>Total</b>	<b><u>523,418,850</u></b>	<b><u>32,811,380</u></b>	<b>6.27</b>	<b><u>420,041,875</u></b>	<b><u>27,013,583</u></b>	<b>6.43</b>

Interest income from loans and advances to customers increased by 21.5% from RMB27,013,583,000 for the year ended 31 December 2020 to RMB32,811,380,000 in the Reporting Period, primarily due to an increase in the average balance of loans and advances to customers. The average balance of loans and advances to customers increased by 24.6% from RMB420,041,875,000 for the year ended 31 December 2020 to RMB523,418,850,000 in the Reporting Period, primarily because (i) the Bank reclassified a portion of beneficiary rights transfer plan measured at amortized cost to loans; and (ii) the Bank increased the overall scale of loans based on the development needs for the real economy and its own business development plans. The average yield of loans and advances to customers decreased from 6.43% for the year ended 31 December 2020 to 6.27% in the Reporting Period, primarily because the scale accounted for the discounted bills business with the lower yield increased.

### **(2) Interest income from investment securities and other financial assets**

Interest income from investment securities and other financial assets decreased by 39.9% from RMB8,769,075,000 for the year ended 31 December 2020 to RMB5,266,292,000 in the Reporting Period, primarily due to the decreases in average yield of investment securities and other financial assets. The average balance of investment securities and other financial assets increased by 2.6% from RMB161,189,488,000 for the year ended 31 December 2020 to RMB165,435,941,000 in the Reporting Period, primarily due to the increase in the size of the Bank's debt investments. The average yield of investment securities and other financial assets decreased to 3.18% in the Reporting Period from 5.44% for the year ended 31 December 2020, mainly due to (i) the decrease in the size of the beneficiary rights transfer plan with higher yield measured at amortised cost; and (ii) lower yields on high-quality current assets such as new debt investments.

**(3) Interest income from deposits with the central bank**

Interest income from deposits with the central bank increased by 8.5% from RMB704,814,000 for the year ended 31 December 2020 to RMB765,047,000 in the Reporting Period, primarily due to the decrease in the average balance of deposits with the central bank. The average balance of deposits with the central bank increased by 8.3% from RMB45,808,596,000 for the year ended 31 December 2020 to RMB49,618,641,000 for the Reporting Period, mainly due to the increase in deposits with the central bank as result of an increase in the average balance of deposits from customers.

**(4) Interest income from deposits with banks and other financial institutions**

Interest income from deposits with banks and other financial institutions decreased by 82.4% from RMB127,585,000 for the year ended 31 December 2020 to RMB22,464,000 in the Reporting Period, mainly due to the decrease in average balance and average yield of the Bank's deposits with banks and other financial institutions. The average balance of the Bank's deposits with banks and other financial institutions decreased by 81.8% to RMB1,385,845,000 in the Reporting Period from RMB7,616,576,000 for the year ended 31 December 2020, which was mainly because the Bank reduced deposits with banks and other financial institutions but increased the the size of financial assets such as bonds investment in order to balance liquidity and income management. The average yield of deposits with banks and other financial institution decreased from 1.68% for the year ended 31 December 2020 to 1.62% in the Reporting Period.

**(5) Interest income from placements with banks and other financial institutions**

Interest income from placements with banks and other financial institutions increased by 38.2% from RMB277,582,000 for the year ended 31 December 2020 to RMB383,682,000 in the Reporting Period, primarily due to the increase in the average yield of placements with banks and other financial institutions. The average balance of placements with banks and other financial institutions decreased by 11.8% from RMB6,837,451,000 for the year ended 31 December 2020 to RMB6,030,914,000 in the Reporting Period, mainly due to the need to balance liquidity and income management, such that the Bank reduced the size of placements with banks and other financial institutions. The average yield of placements with banks and other financial institutions increased from 4.06% for the year ended 31 December 2020 to 6.36% in the Reporting Period, which was mainly due to the increased proportion of placements with banks and other financial institutions business with higher yield.

**(6) Interest income from financial assets held under resale agreements**

Interest income from financial assets held under resale agreements decreased by 81.3% to RMB25,238,000 in the Reporting Period from RMB134,629,000 for the year ended 31 December 2020, primarily due to the decrease in average balance of financial assets held under resale agreements. The average balance of financial assets held under resale agreements decreased by 81.7% to RMB1,314,730,000 in the Reporting Period from RMB7,164,898,000 for the year ended 31 December 2020, primarily due to the Bank's need to balance income and liquidity management. The average yield of financial assets held under resale agreements increased from 1.88% for the year ended 31 December 2020 to 1.92% for the Reporting Period.

### **(7) Interest income from finance lease receivables**

Interest income from finance lease receivables decreased by 92.7% to RMB23,175,000 in the Reporting Period from RMB317,277,000 for the year ended 31 December 2020, primarily due to the decrease in average balance and average yield of finance lease receivables. The average balance of finance lease receivables decreased by 18.1% from RMB5,227,437,000 for the year ended 31 December 2020 to RMB4,283,846,000 for the Reporting Period, mainly due to the increase in credit risks of certain industries and enterprises under the impact of the uncertainty of macroeconomy and the Epidemic, which put pressure on the investment in new projects, and the Bank has slowed down the development of the finance leasing business while accelerating the business collection progress. The average yield decreased from 6.07% for the year ended 31 December 2020 to 0.54% for the Reporting Period, mainly due to the significant decrease in interest income from finance lease receivables recognised during the Reporting Period as a result of the decline in the quality of assets in the existing finance lease business.

#### **3.2.1.3 Interest expense**

The following table sets forth, for the years indicated, the principal components of the Bank's interest expense:

	<b>For the year ended 31 December</b>			
	<b>2021</b>		<b>2020</b>	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Deposits from customers	17,274,744	63.4	14,904,522	53.2
Deposits from banks and other financial institutions	5,932,713	21.8	7,771,528	27.7
Placements from banks and other financial institutions	806,802	3.0	469,524	1.7
Financial assets sold under repurchase agreements	1,491,403	5.5	403,614	1.4
Debt securities payable	1,730,944	6.3	4,472,319	15.9
Borrowing from the central bank	12,922	0.0	23,891	0.1
<b>Total</b>	<b><u>27,249,528</u></b>	<b><u>100.0</u></b>	<b><u>28,045,398</u></b>	<b><u>100.0</u></b>

Interest expense of the Bank decreased by 2.8% from RMB28,045,398,000 for the year ended 31 December 2020 to RMB27,249,528,000 during the Reporting Period, mainly due to the decrease in the average cost of interest-bearing liabilities.

**(1) Interest expense on deposits from customers**

The following table sets forth the average balance, interest expense and average cost for each component of the Bank's deposits from customers:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December					
	Average balance	2021 Interest expense	Average cost (%)	Average balance	2020 Interest expense	Average cost (%)
<b>Corporate deposits</b>						
Demand	40,852,672	710,350	1.74	40,208,710	553,518	1.38
Term	58,692,407	1,899,529	3.24	55,477,552	1,265,467	2.28
<b>Subtotal</b>	<b><u>99,545,079</u></b>	<b><u>2,609,879</u></b>	<b>2.62</b>	<b><u>95,686,262</u></b>	<b><u>1,818,985</u></b>	<b>1.90</b>
<b>Personal deposits</b>						
Demand	18,192,591	219,408	1.21	25,146,793	594,554	2.36
Term	333,997,986	14,445,457	4.33	275,224,872	12,490,983	4.54
<b>Subtotal</b>	<b><u>352,190,577</u></b>	<b><u>14,664,865</u></b>	<b>4.16</b>	<b><u>300,371,665</u></b>	<b><u>13,085,537</u></b>	<b>4.36</b>
<b>Total deposits from customers</b>	<b><u>451,735,656</u></b>	<b><u>17,274,744</u></b>	<b>3.82</b>	<b><u>396,057,927</u></b>	<b><u>14,904,522</u></b>	<b>3.76</b>

Interest expense on deposits from customers increased by 15.9% to RMB17,274,744,000 in the Reporting Period from RMB14,904,522,000 for the year ended 31 December 2020, primarily due to the increase in the average balance of the Bank's deposits from customers and the increase in average cost. The average balance of deposits from customers increased by 14.1% from RMB396,057,927,000 for the year ended 31 December 2020 to RMB451,735,656,000 for the Reporting Period. The average cost of deposits from customers increased from 3.76% for the year ended 31 December 2020 to 3.82% for the Reporting Period, which was mainly due to the increase in average cost of corporate deposits resulting from the increase in the proportion of corporate term deposits.

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

Interest expense on deposits from banks and other financial institutions decreased by 23.7% to RMB5,932,713,000 in the Reporting Period from RMB7,771,528,000 for the year ended 31 December 2020, primarily due to the increase in the average balance of deposits from banks and other financial institutions and the decrease in average cost. The average balance of deposits from interbank and other financial institutions decreased by 20.1% from RMB156,635,816,000 for the year ended 31 December 2020 to RMB125,186,008,000 for the Reporting Period, mainly attributable to the adjustment to the liabilities of the Bank. The average cost of deposits from banks and other financial institutions decreased from 4.96% in the year ended 31 December 2020 to 4.74% in the Reporting Period, mainly attributable to the Bank's gradual reduction in deposits from banks and other financial institutions with higher cost.

***(3) Interest expense on placements from banks and other financial institutions***

Interest expense on placements from banks and other financial institutions increased by 71.8% to RMB806,802,000 in the Reporting Period from RMB469,524,000 for the year ended 31 December 2020, primarily due to the increase in average balance and average cost of placements from banks and other financial institutions. The average balance of placements from banks and other financial institutions increased by 57.9% to RMB22,692,280,000 in the Reporting Period from RMB14,373,567,000 for the year ended 31 December 2020, primarily because the Bank is actively engaged in online interbank business. The average cost of placements from banks and other financial institutions increased from 3.27% for the year ended 31 December 2020 to 3.56% in the Reporting Period, primarily due to the extension of the maturity of the placements from banks and other financial institutions.

***(4) Interest expense on financial assets sold under repurchase agreements***

Interest expense on financial assets sold under repurchase agreements increased by 269.5% to RMB1,491,403,000 in the Reporting Period from RMB403,614,000 for the year ended 31 December 2020, primarily due to the increase in average balance of the financial assets sold under repurchase agreements. The average balance of financial assets sold under repurchase agreements increased by 282.7% to RMB57,672,213,000 in the Reporting Period from RMB15,068,002,000 for the year ended 31 December 2020, mainly due to the need of the Bank to balance liquidity and returns management. The average cost of financial assets sold under repurchase agreements decreased to 2.59% in the Reporting Period from 2.68% for the year ended 31 December 2020.

#### ***(5) Interest expense on debt securities payable***

Interest expense on debts securities payable decreased by 61.3% to RMB1,730,944,000 in the Reporting Period from RMB4,472,319,000 for the year ended 31 December 2020, which was mainly due to the decrease in the average balance of debt securities payable and the average cost. The average balance of debt securities payable decreased by 56.0% to RMB50,057,950,000 in the Reporting Period from RMB113,884,172,000 for the year ended 31 December 2020, which was mainly due to the decrease in issuance size of interbank certificates of deposit by the Bank. The average cost decreased to 3.46% in the Reporting Period from 3.93% for the year ended 31 December 2020, which was mainly attributable to the Bank's gradual reduction in issuance of interbank certificates of deposit with higher interest rate.

#### ***(6) Interest expense on borrowing from the central bank***

The Bank's interest expense on borrowing from the central bank decreased by 45.9% to RMB12,922,000 in the Reporting Period from RMB23,891,000 for the year ended 31 December 2020, primarily due to the decrease in the average cost of borrowing from the central bank. The average balance of borrowings from the central bank increased by 1.7% from RMB568,576,000 for the year ended 31 December 2020 to RMB578,131,000 for the Reporting Period, mainly because the Bank supported the development of small and micro enterprises and private enterprises during the Reporting Period and obtained re-loans from PBOC in support of agriculture and micro and small enterprises. The average interest payment rate of borrowing from the central bank decreased from 4.20% for the year ended 31 December 2020 to 2.24% for the Reporting Period, mainly due to the increase in the proportion of the re-loans in support of agriculture and micro and small enterprises with lower interest payment rate.

#### **3.2.1.4 Net interest spread and net interest margin**

Net interest spread is the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

The net interest spread of the Bank decreased to 1.38% for the Reporting Period as compared to 1.68% for the year ended 31 December 2020 and the net interest margin increased to 1.60% in the Reporting Period as compared to 1.42% for the year ended 31 December 2020, primarily due to the increase in net interest income and the effect of changes in the average interest rate on interest-earning assets and interest-bearing liabilities.

### 3.2.1.5 Non-interest income

#### (1) Net fee and commission income

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December			
	2021	2020	Change	Rate of change (%)
<b>Fee and commission income</b>				
Agency services fees	58,349	18,309	40,040	218.7
Settlement and clearing fees	52,524	56,341	(3,817)	(6.8)
Wealth management service fees	184,371	129,090	55,281	42.8
Underwriting and advisory fees	58,545	19,209	39,336	204.8
Bank card service fees	37,000	13,922	23,078	165.8
Others	47,138	6,882	40,256	584.9
<b>Subtotal</b>	<b>437,927</b>	<b>243,753</b>	<b>194,174</b>	<b>79.7</b>
<b>Fee and commission expense</b>				
Settlement and clearing fees	13,101	34,546	(21,445)	(62.1)
Others	56,428	34,517	21,911	63.5
<b>Subtotal</b>	<b>69,529</b>	<b>69,063</b>	<b>466</b>	<b>0.7</b>
<b>Net fee and commission income</b>	<b>368,398</b>	<b>174,690</b>	<b>193,708</b>	<b>110.9</b>

The fee and commission income increased by 79.7% to RMB437,927,000 in the Reporting Period as compared to RMB243,753,000 for the year ended 31 December 2020, primarily due to the increase in the wealth management service fees, agency services fees and underwriting and advisory fees of the Bank. The wealth management service fees increased by 42.8% from RMB129,090,000 for the year ended 31 December 2020 to RMB184,371,000 for the Reporting Period, mainly due to (i) the growth in the scale of the Bank's wealth management business; and (ii) the recognition of excess income on expected return products that matured during the Reporting Period. The agency services fees increased by 218.7% from RMB18,309,000 for the year ended 31 December 2020 to RMB58,349,000 for the Reporting Period, mainly due to the increase in the handling fees of syndicated loan during the Reporting Period. The underwriting and advisory fees increased by 204.8% from RMB19,209,000 for the year ended 31 December 2020 to RMB58,545,000 for the Reporting Period, mainly due to that the Bank accelerated the transformation and development of its corporate business, proactively adjusted the business model and expanded the scope and depth of financial services cooperation with corporate clients, resulting in the increase of underwriting and advisory fees. Settlement and clearing fees decreased by 6.8% from RMB56,341,000 for the year ended 31 December 2020 to RMB52,524,000 for the Reporting Period, mainly because the Bank actively implemented the policy of fee reduction and benefit concessions by reducing and waiving the fee items and lowering the fee rates for small and medium-sized enterprises.

Fee and commission expense primarily consists of expenses paid to third parties in connection with the Bank's settlement and clearance, trade financing, bank card, agency and consultancy businesses. The Bank's fee and commission expense increased by 0.7% to RMB69,529,000 in the Reporting Period as compared to RMB69,063,000 for the year ended 31 December 2020.

**(2) Net trading gains/(losses)**

Net trading gains/(losses) primarily comprise net gains or losses from trading financial instruments and financial assets and liabilities designated at fair value through profit or loss. During the Reporting Period, the Bank incurred a net trading gain of RMB85,094,000, representing a year-on-year increase of RMB203,216,000, mainly because the Bank enhanced investment strategy research and execution and increased in valued gains and losses on trading debt investments.

**(3) Dividend income**

Dividend income increased by 1,033.9% to RMB16,328,000 in the Reporting Period from RMB1,440,000 for the year ended 31 December 2020.

**(4) Net gains arising from investment securities**

Net gains from investment securities increased by 1,662.6% to RMB30,335,000 in the Reporting Period from RMB1,721,000 for the year ended 31 December 2020, which was mainly because the Bank enhanced investment strategy research and execution and captured the market opportunities and increased the transaction volume of investment securities.

**(5) Net foreign exchange gains/(losses)**

Net foreign exchange gains were RMB16,391,000 during the Reporting Period, representing a year-on-year increase of RMB94,496,000, primarily due to changes in the size of the Bank's position holdings and market exchange rates.

**(6) Other net operating income**

Other net operating income decreased by 87.7% to RMB3,508,000 in the Reporting Period from RMB28,522,000 for the year ended 31 December 2020, which was mainly due to the increase of losses arising from the disposal of assets.

### 3.2.1.6 Operating expenses

During the Reporting Period, the Bank's operating expenses was RMB3,168,144,000, representing a decrease of RMB150,439,000 or 4.5% from the year ended 31 December 2020.

<b>For the year ended 31 December</b>				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>Rate of change (%)</b>
Staff costs	1,615,652	1,514,592	101,060	6.7
General and administrative expenses	715,709	920,317	(204,608)	(22.2)
Tax and surcharges	317,729	307,338	10,391	3.4
Depreciation and amortisation	503,538	560,545	(57,007)	(10.2)
Others	<u>15,516</u>	<u>15,791</u>	<u>(275)</u>	(1.7)
<b>Total operating expenses</b>	<b><u>3,168,144</u></b>	<b><u>3,318,583</u></b>	<b><u>(150,439)</u></b>	<b>(4.5)</b>

#### **(1) Staff costs**

The following table sets forth, for the years indicated, the principal components of the Bank's staff costs:

<b>For the year ended 31 December</b>				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>2021</b>	<b>2020</b>	<b>Change</b>	<b>Rate of change (%)</b>
Salaries and bonuses	1,149,806	1,140,689	9,117	0.8
Social insurance	219,688	106,324	113,364	106.6
Housing allowances	122,249	119,959	2,290	1.9
Staff welfare	57,624	61,328	(3,704)	(6.0)
Supplementary retirement benefit	4,206	24,391	(20,185)	(82.8)
Other long-term staff welfare	16,225	16,199	26	0.2
Others	<u>45,854</u>	<u>45,702</u>	<u>152</u>	0.3
<b>Total staff costs</b>	<b><u>1,615,652</u></b>	<b><u>1,514,592</u></b>	<b><u>101,060</u></b>	<b>6.7</b>

During the Reporting Period, the staff costs of the Bank were RMB1,615,652,000, representing an increase of RMB101,060,000 or 6.7% as compared with that for the year ended 31 December 2020, which was mainly due to the policy of reduction of social insurance premiums in 2020 past due during the epidemic, which resulted in the increase in social insurance premiums during the Reporting Period.

***(2) General and administrative expenses***

General and administrative expenses decreased by 22.2% to RMB715,709,000 during the Reporting Period from RMB920,317,000 for the year ended 31 December 2020, which was mainly due to the Bank's strengthening of the refined management, optimizing the allocation of cost resources strictly controlling expenses and improving resource efficiency.

***(3) Tax and surcharges***

The tax and surcharges increased by 3.4% to RMB317,729,000 in the Reporting Period from RMB307,338,000 for the year ended 31 December 2020, primarily attributable to the increase in surcharges of value-added tax.

***(4) Depreciation and amortisation***

Depreciation and amortisation decreased by 10.2% to RMB503,538,000 in the Reporting Period from RMB560,545,000 for the year ended 31 December 2020, primarily because the Bank continuously reduced the capital expenditures for the right-of-use assets.

***(5) Others***

Other operating expense decreased by 1.7% to RMB15,516,000 in the Reporting Period from RMB15,791,000 for the year ended 31 December 2020.

### 3.2.1.7 Impairment losses on assets

The following table sets forth, for the years indicated, the principal components of the Bank's impairment losses on assets:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>For the year ended</b>	
	<b>2021</b>	<b>2020</b>
Loans and advances to customers	6,639,777	5,690,829
Deposits and placements with banks and other financial institutions	852,865	(110,757)
Financial assets at fair value through other comprehensive income	16,922	104,985
Financial assets measured at amortised cost	(257,994)	(510,109)
Finance lease receivables	1,561,264	428,219
Credit commitments	(56,235)	(203,029)
Other assets	119,072	262,425
<b>Total</b>	<b><u>8,875,671</u></b>	<b><u>5,662,563</u></b>

Impairment losses on assets increased by 56.7% to RMB8,875,671,000 in the Reporting Period from RMB5,662,563,000 for the year ended 31 December 2020, mainly because the Bank increased impairment provisions for loans and advances to customers and finance lease receivables to enhance its risk resistance ability as results of macroeconomic uncertainties and the impact of the epidemic and the increase in credit risks of certain industries and enterprises of the Bank, resulting in an increase in asset impairment loss.

### 3.2.1.8 Income tax expenses

Income tax expense increased by 141.5% from RMB174,620,000 for the year ended 31 December 2020 to RMB421,650,000 for the Reporting Period.

### 3.2.2 Analysis of the statement of financial position

#### 3.2.2.1 Assets

As at the end of the Reporting Period, the Bank had total assets of RMB849,662,002,000, increased by 9.2% from RMB777,992,324,000 as at 31 December 2020. The principal components of the assets as at the end of the Reporting Period were (i) loans and advances to customers; (ii) investment securities and other financial assets; and (iii) cash and deposits with the central bank, accounting for 69.0%, 19.8% and 5.8% of the Bank's total assets as at the end of the Reporting Period, respectively. The table below sets forth balances of the principal components of the Bank's total assets as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 31 December 2021</b>		<b>As at 31 December 2020</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
<b>Assets</b>				
Total loans and advances to customers	576,906,562	67.9	496,749,748	63.8
Interests receivable on loans and advances to customers	35,895,690	4.2	19,147,848	2.5
Provision for impairment losses on loans and advances to customers	(26,479,364)	(3.1)	(20,433,399)	(2.6)
Net loans and advances to customers	586,322,888	69.0	495,464,197	63.7
Net investments in securities and other financial assets <sup>(1)</sup>	168,411,876	19.8	180,701,450	23.2
Cash and deposits with the central bank	49,105,274	5.8	55,826,576	7.2
Deposits with banks and other financial institutions	10,359,233	1.2	4,748,291	0.6
Financial assets held under resale agreements	4,905,630	0.6	4,273,751	0.5
Placements with banks and other financial institutions	5,547,196	0.7	6,062,898	0.8
Finance lease receivables	2,515,169	0.3	3,248,825	0.4
Other assets <sup>(2)</sup>	22,494,736	2.6	27,666,336	3.6
<b>Total assets</b>	<b>849,662,002</b>	<b>100.0</b>	<b>777,992,324</b>	<b>100.0</b>

Notes:

- (1) Includes financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.
- (2) Includes property and equipment, deferred income tax assets, derivative financial assets, right-of-use assets and others.

### **(1) Loans and advances to customers**

As at the end of the Reporting Period, the Bank's total loans and advances to customers were RMB576,906,562,000, representing an increase of 16.1% as compared to that for the year ended 31 December 2020. Total loans and advances to customers at the end of the Reporting Period accounted for 67.9% of the Bank's total assets, representing an increase of 4.1 percentage points as compared to that for the year ended 31 December 2020.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 31 December 2021</b>		<b>As at 31 December 2020</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Corporate loans and advances	498,582,405	86.4	467,387,803	94.1
Personal loans	11,509,283	2.0	10,129,459	2.0
Discounted bills	66,814,874	11.6	19,232,486	3.9
<b>Total loans and advances to customers</b>	<b><u>576,906,562</u></b>	<b><u>100.0</u></b>	<b><u>496,749,748</u></b>	<b><u>100.0</u></b>

The Bank's total loans and advances to customers primarily comprise corporate loans and advances, personal loans and discounted bills. Corporate loans and advances are the largest component of the Bank's loan portfolio. As at the end of the Reporting Period and as at 31 December 2020, the Bank's corporate loans and advances amounted to RMB498,582,405,000 and RMB467,387,803,000, accounting for 86.4% and 94.1% of the Bank's total loans and advances to customers, respectively.

The Bank's corporate loans and advances increased by 6.7% from RMB467,387,803,000 as at 31 December 2020 to RMB498,582,405,000 as at the end of the Reporting Period, which is mainly because the Bank reclassified a portion of beneficiary rights transfer plan measured at amortized cost to loans.

As at the end of the Reporting Period, the balance of discounted bills amounted to RMB66,814,874,000, representing an increase of RMB47,582,388,000 or 247.4% as compared to that as at 31 December 2020, mainly due to the Bank's adjustment of business structure based on serving the real economy and in conjunction with its risk management strategy and market demand.

The Bank's personal loans mainly comprise personal business loans, personal consumption loans, residential and commercial mortgage loans, credit card overdrafts and other personal loans. At the end of the Reporting Period, the balance of personal loans amounted to RMB11,509,283,000 (accounting for 2.0% of the total loans and advances to customers), representing an increase of RMB1,379,824,000 or 13.6% as compared to that as at 31 December 2020, which was mainly because (i) the Bank strictly enforced the regulatory policy on housing loan business, adjusted the structure of its personal loan business in accordance with the risk management strategy and market demand, and increased the allocation of residential and commercial properties mortgage loans; and (ii) prudently developed the credit card business, resulting in the increase in the balances of credit card overdraft.

## A. Loans by collateral

Collateralised loans, pledged loans or guaranteed loans of the Bank represented, in aggregate, 85.5% and 89.9% of the Bank's total loans and advances to customers as at the end of the Reporting Period and as at 31 December 2020, respectively. If a loan is secured by more than one form of security interest, the entire amount of such loan will be allocated to the category representing the primary form of security interest. The table below sets forth the distribution of the Bank's loans and advances to customers by the type of collateral as at the dates indicated:

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>As at 31 December 2021</b>		<b>As at 31 December 2020</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Unsecured loans	83,558,097	14.5	49,932,378	10.1
Guaranteed loans	226,272,420	39.2	247,673,798	49.8
Collateralised loans	197,852,182	34.3	122,970,446	24.8
Pledged loans	69,223,863	12.0	76,173,126	15.3
<b>Total loans and advances to customers</b>	<b><u>576,906,562</u></b>	<b><u>100.0</u></b>	<b><u>496,749,748</u></b>	<b><u>100.0</u></b>

As at the end of the Reporting Period, the balance of the Bank's loans secured by collaterals and pledges amounted to RMB267,076,045,000 (accounting for 46.3% of the total loans and advances to customers), representing an increase of RMB67,932,473,000 or 6.2 percentage points as compared to that as at 31 December 2020, mainly due to the Bank's strengthening of credit risk management strategy and further adjusting its structure of credit business to increase the proportion of collateralized and pledged loan and reduce the proportion of margin loans. The balance of unsecured and guaranteed loans was RMB309,830,517,000 (accounting for 53.7% of the total loans and advances to customers), representing an increase of RMB12,224,341,000 or 4.1% as compared to that as at 31 December 2020, mainly due to the Bank's increasing of the size of discounted bills business with a lower risk.

## B. Movements of provision for impairment losses on loans and advances to customers

- (i) Changes of provision for impairment losses on loans and advances to customers measured at amortised cost for the Reporting Period are as follows:

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	For the year ended 31 December 2021			Total
	ECL over the next 12 months	Lifetime ECL -not credit- impaired loans	Lifetime ECL -credit- impaired loans	
As at 1 January 2021	(11,873,361)	(3,157,902)	(5,402,136)	(20,433,399)
Transferred				
-to the expected credit loss (“ECL”) over the next 12 months	(726,619)	726,489	130	–
-to lifetime ECL- not credit-impaired loans	1,031,033	(1,091,940)	60,907	–
-to lifetime ECL- credit impaired loans	44,159	267,663	(311,822)	–
Net (charge)/release for the year	2,033,247	(3,666,726)	(5,006,298)	(6,639,777)
Write-offs	30,870	11,233	551,709	593,812
<b>As at 31 December 2021</b>	<b><u>(9,460,671)</u></b>	<b><u>(6,911,183)</u></b>	<b><u>(10,107,510)</u></b>	<b><u>(26,479,364)</u></b>

(ii) Changes of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income for the Reporting Period are as follows:

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>For the year ended 31 December 2021</b>			<b>Total</b>
	<b>ECL over the next 12 months</b>	<b>Lifetime ECL -not credit-impaired loans</b>	<b>Lifetime ECL -credit-impaired loans</b>	
As at 1 January 2021	(6,071)	–	–	(6,071)
Net charge for the year	(13,139)	–	–	(13,139)
<b>As at 31 December 2021</b>	<b>(19,210)</b>	<b>–</b>	<b>–</b>	<b>(19,210)</b>

(iii) Changes of provision for impairment losses on loans and advances to customers at amortised cost for the year ended 31 December 2020 are as follows:

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>For the year ended 31 December 2020</b>			<b>Total</b>
	<b>ECL over the next 12 months</b>	<b>Lifetime ECL -not credit-impaired loans</b>	<b>Lifetime ECL -credit-impaired loans</b>	
As at 1 January 2020	(12,151,110)	(4,314,052)	(26,872,875)	(43,338,037)
Transferred				
-to ECL over the next 12 months	(244,198)	150,564	93,634	–
-to lifetime ECL- not credit-impaired loans	676,165	(865,055)	188,890	–
-to lifetime ECL- credit- impaired loans	224,062	263,763	(487,825)	–
Net charge for the year	(855,369)	(1,890,762)	(2,944,698)	(5,690,829)
Write-offs	477,089	3,497,640	24,620,738	28,595,467
<b>As at 31 December 2020</b>	<b>(11,873,361)</b>	<b>(3,157,902)</b>	<b>(5,402,136)</b>	<b>(20,433,399)</b>

(iv) Changes of provision for impairment losses on loans and advances to customers at fair value through other comprehensive income for the year ended 31 December 2020 are as follows:

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	For the year ended 31 December 2020			Total
	ECL over the next 12 months	Lifetime ECL -not credit-impaired loans	Lifetime ECL -credit-impaired loans	
As at 1 January 2020	(5,134)	–	–	(5,134)
Net charge for the year	<u>(937)</u>	<u>–</u>	<u>–</u>	<u>(937)</u>
<b>As at 31 December 2020</b>	<b><u><u>(6,071)</u></u></b>	<b><u><u>–</u></u></b>	<b><u><u>–</u></u></b>	<b><u><u>(6,071)</u></u></b>

Provision for impairment losses on loans and advances to customers increased by 29.6% from RMB20,439,470,000 as at 31 December 2019 to RMB26,498,574,000 as at the end of the Reporting Period, primarily because the Bank made provision for loans and advances impairment to enhance its risk resilience in response to the increase in outstanding balances of non-performing loans and ECL.

## ***(2) Investment securities and other financial assets***

Investment securities and other financial assets consist of debt investments, equity investments, investments using funds of wealth management products and financial assets measured at amortised cost. As at the end of the Reporting Period and as at 31 December 2020, the Bank had net investment securities and other financial assets of RMB168,411,876,000 and RMB180,701,450,000, accounting for 19.8% and 23.2% of the Bank's total assets at the time, respectively.

The following table sets out the composition of investment securities and other financial assets (interests receivable not included) as at the dates indicated:

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>As at 31 December 2021</b>		<b>As at 31 December 2020</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
<b>Debt investments</b>	<b>151,948,203</b>	<b>93.1</b>	<b>122,968,905</b>	<b>70.7</b>
Financial assets at fair value through profit or loss	16,240,438	10.0	23,012,083	13.2
Financial assets at fair value through other comprehensive income	57,154,131	35.0	20,354,654	11.7
Financial assets measured at amortised cost	78,567,475	48.1	79,613,015	45.8
Provision for impairment losses on debt investments	(13,841)	0.0	(10,847)	0.0
<b>Equity investments</b>	<b>1,328,688</b>	<b>0.8</b>	<b>1,322,180</b>	<b>0.8</b>
Financial assets at fair value through other comprehensive income	1,328,688	0.8	1,322,180	0.8
<b>Wealth management products investments</b>	<b>–</b>	<b>–</b>	<b>8,024</b>	<b>0.0</b>
<b>Financial assets at amortised cost (other than debt investments)</b>	<b>9,952,502</b>	<b>6.1</b>	<b>49,600,186</b>	<b>28.5</b>
Beneficial interest transfer plans	14,666,380	9.0	54,575,270	31.4
Provision for impairment losses on financial assets measured at amortised cost (other than debt investments)	(4,713,878)	(2.9)	(4,975,084)	(2.9)
<b>Net investments</b>	<b><u>163,229,393</u></b>	<b><u>100.0</u></b>	<b><u>173,899,295</u></b>	<b><u>100.0</u></b>

As at the end of the Reporting Period, the Bank's net investment securities and other financial assets (interests receivable not included) amounted to RMB163,229,393,000, representing a decrease of 6.1% from RMB173,899,295,000 as at 31 December 2020, which was mainly because the Bank reclassified a portion of beneficiary rights transfer plan measured at amortized cost to loans.

### 3.2.2 Liabilities

As at the end of the Reporting Period and as at 31 December 2020, the Bank's total liabilities amounted to RMB778,651,713,000 and RMB706,750,144,000, respectively. The Bank's liabilities mainly comprise (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) financial assets sold under agreements to repurchase, accounting for 61.2%, 17.6% and 13.8%, respectively, of the Bank's total liabilities as at the end of the Reporting Period.

The following table sets forth the compositions of the Bank's total liabilities as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 31 December 2021</b>		<b>As at 31 December 2020</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Deposits from customers	476,072,906	61.2	439,223,670	62.1
Deposits from banks and other financial institutions	137,348,637	17.6	135,044,341	19.1
Financial assets sold under repurchase agreements	107,181,604	13.8	35,102,853	5.0
Debt securities payable	35,297,113	4.5	71,270,006	10.1
Placements from banks and other financial institutions	17,315,110	2.2	22,645,854	3.2
Financial liabilities at fair value through profit or loss	–	–	7,822	0.0
Other liabilities <sup>(1)</sup>	5,436,343	0.7	3,455,598	0.5
<b>Total</b>	<b><u>778,651,713</u></b>	<b><u>100.0</u></b>	<b><u>706,750,144</u></b>	<b><u>100.0</u></b>

*Note:*

- (1) Includes borrowings from the central bank, negative fair value of derivatives, accrued staff costs, taxes payable, lease liabilities, provisions and other liabilities.

### **(1) Deposits from customers**

The Bank provides demand and time deposit products for corporate and personal customers. The table below sets forth deposits from customers (interests payable not included) and product types as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 31 December 2021</b>		<b>As at 31 December 2020</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
<b>Corporate deposits</b>				
Demand	37,223,444	8.0	44,996,160	10.5
Time	55,491,824	11.9	56,239,340	13.1
<b>Subtotal</b>	<b>92,715,268</b>	<b>19.9</b>	<b>101,235,500</b>	<b>23.6</b>
<b>Personal deposits</b>				
Demand	20,350,331	4.4	25,422,058	5.9
Time	352,137,474	75.7	302,415,488	70.5
<b>Subtotal</b>	<b>372,487,805</b>	<b>80.1</b>	<b>327,837,546</b>	<b>76.4</b>
<b>Total</b>	<b>465,203,073</b>	<b>100.0</b>	<b>429,073,046</b>	<b>100.0</b>

As at the end of the Reporting Period, the Bank's total deposits from customers (excluding interests payable) amounted to RMB465,203,073,000, representing an increase of RMB36,130,027,000 or 8.4% as compared to that as at 31 December 2020, mainly because the Bank accelerated the transformation of the retail business, to achieve a "win-win" situation for both customers and the Bank and steady growth in the amounts of deposits through professional services and product innovation and by strengthening online and offline channel construction, enhancing multi-channel marketing and customer acquisition capabilities.

## **(2) Deposits from banks and other financial institutions**

The counterparties of the Bank's deposits from the banks and other financial institutions mainly included domestic banks and other financial institutions. The following table sets out the composition of the counterparties of the Bank's deposits from the banks and other financial institutions (interests payable not included) as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 31 December 2021</b>		<b>As at 31 December 2020</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Deposits in Mainland China				
– Banks	15,183,700	11.1	14,206,220	10.6
– Other financial institutions	<u>121,061,567</u>	<u>88.9</u>	<u>119,438,149</u>	<u>89.4</u>
<b>Total</b>	<b><u>136,245,267</u></b>	<b><u>100.0</u></b>	<b><u>133,644,369</u></b>	<b><u>100.0</u></b>

As at the end of the Reporting Period, the Bank's total deposits from the banks and other financial institutions (excluding interests payable) amounted to RMB136,245,267,000, representing an increase of RMB2,600,898,000 or 1.9% as compared to that as at 31 December 2020.

## **(3) Debt securities payable**

Upon the approval of Former CBRC and the PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank had redeemed such bonds at its nominal amount on 27 December 2021.

Upon the approval of Former CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

As at the end of the Reporting Period and as at 31 December 2020, the Bank issued 52 and 56 tranches of RMB negotiable certificates of deposit which were not matured, the balances of which were RMB31,150 million and RMB64,623 million, respectively.

### 3.2.2.3 Shareholders' equity

The following table sets forth the composition of the equity of the Shareholders of the Bank as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 31 December 2021</b>		<b>As at 31 December 2020</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Share capital	13,981,616	19.7	13,981,616	19.6
Other equity instruments				
including: offshore preference shares	9,897,363	13.9	9,897,363	13.9
Capital reserve	26,736,512	37.7	26,493,374	37.2
Surplus reserve	3,241,844	4.6	3,056,744	4.3
General reserve	12,156,776	17.1	11,800,217	16.6
Retained earnings	2,583,431	3.6	2,429,877	3.4
<b>Total equity attributable to equity shareholders of the parent company</b>	<b>68,597,542</b>	<b>96.6</b>	<b>67,659,191</b>	<b>95.0</b>
Non-controlling interests	2,412,747	3.4	3,582,989	5.0
<b>Total shareholders' equity</b>	<b><u>71,010,289</u></b>	<b><u>100.0</u></b>	<b><u>71,242,180</u></b>	<b><u>100.0</u></b>

### 3.2.3 Loans quality analysis

#### 3.2.3.1 Breakdown of loans by the five-category classification

The Bank's non-performing loans are classified into loans and advances to customers of substandard, doubtful and loss. As at the end of the Reporting Period, the non-performing loans recorded by the Bank amounted to RMB15,884,412,000. The Bank's total provision for impairment losses on loans to customers measured at amortised cost and at fair value through other comprehensive income was RMB26,498,574,000. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 31 December 2021</b>		<b>As at 31 December 2020</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Normal	487,691,870	84.6	435,176,427	87.6
Special mention	73,330,280	12.7	51,285,420	10.3
Substandard	8,041,019	1.4	7,896,270	1.7
Doubtful	7,609,041	1.3	2,165,296	0.4
Loss	<u>234,352</u>	<u>0.0</u>	<u>226,335</u>	<u>0.0</u>
<b>Total loans and advances to customers</b>	<b><u>576,906,562</u></b>	<b><u>100.0</u></b>	<b><u>496,749,748</u></b>	<b><u>100.0</u></b>
<b>Non-performing loan</b>	<b><u>15,884,412</u></b>	<b><u>2.75</u></b>	<b><u>10,287,901</u></b>	<b><u>2.07</u></b>

As at the end of Reporting Period and as at 31 December 2020, the non-performing loan ratios of the Bank were 2.75% and 2.07%, respectively. The Bank's non-performing loan ratio as at the end of Reporting Period was 0.68 percentage point higher than that as at 31 December 2020, primarily because some industries and enterprises were experiencing difficulties in production and operation amidst the uncertainty of economy and due to the impact of the epidemic, resulting in decreased solvency and the increase in the balance of non-performing loans.

### 3.2.3.2 Concentration of loans

#### (1) Concentration of loans by industry and non-performing loans

Loans consist of loans to customers in various industries. The table below sets forth the breakdown of loans of the Bank by industry and the non-performing loans as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2021				As at 31 December 2020			
	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	% of total	Non-performing loan amount	Non-performing loan ratio (%)
<b>Corporate loans and advances</b>								
Wholesale and retail trade	191,461,080	33.1	3,539,074	1.85	226,013,818	45.5	1,578,667	0.70
Manufacturing	160,218,761	27.8	2,001,097	1.25	102,602,634	20.7	1,457,915	1.42
Leasing and commercial services	34,157,651	5.9	367,090	1.07	35,403,695	7.1	82,920	0.23
Real estate	27,763,322	4.8	2,711,108	9.77	28,161,856	5.7	1,535,190	5.45
Scientific research and technical services	15,637,040	2.7	134,993	0.86	3,541,040	0.7	–	–
Construction	11,023,221	1.9	857,578	7.78	8,466,842	1.7	702,144	8.29
Transportation, storage and postal services	9,667,105	1.7	1,436,076	14.86	10,487,171	2.1	34,737	0.33
Education	6,239,455	1.1	–	–	6,492,654	1.3	–	–
Electricity, gas and water production and supply	4,664,368	0.8	233,076	5.00	5,153,481	1.0	244,445	4.74
Water, environment and public utility management	3,766,140	0.7	162,400	4.31	4,300,240	0.9	165,400	3.85
Mining	2,072,678	0.4	67,840	3.27	1,946,980	0.4	43,500	2.23
Agriculture, forestry, animal husbandry and fishery	917,447	0.2	579,135	63.12	1,040,773	0.2	590,807	56.77
Public management and social organization	188,369	0.0	–	–	4,019,490	0.8	–	–
Others	30,805,768	5.3	1,036,280	3.36	29,757,129	6.0	993,570	3.34
<b>Subtotal</b>	<b>498,582,405</b>	<b>86.4</b>	<b>13,125,747</b>	<b>2.63</b>	<b>467,387,803</b>	<b>94.1</b>	<b>7,429,295</b>	<b>1.59</b>
<b>Bills discounting</b>	<b>66,814,874</b>	<b>11.6</b>	<b>–</b>	<b>–</b>	<b>19,232,486</b>	<b>3.9</b>	<b>–</b>	<b>–</b>
<b>Personal loan</b>	<b>11,509,283</b>	<b>2.0</b>	<b>2,758,665</b>	<b>23.97</b>	<b>10,129,459</b>	<b>2.0</b>	<b>2,858,606</b>	<b>28.22</b>
<b>Total</b>	<b>576,906,562</b>	<b>100.0</b>	<b>15,884,412</b>	<b>2.75</b>	<b>496,749,748</b>	<b>100.0</b>	<b>10,287,901</b>	<b>2.07</b>

As at the end of the Reporting Period, loans and advances offered to customers in the industries of (i) wholesale and retail trade; (ii) manufacturing; and (iii) leasing and commercial services represented the largest components of the Bank's corporate loans and advances. As at the end of the Reporting Period and as at 31 December 2020, the balance of loans and advances provided to the corporate customers in the aforesaid three industries were RMB385,837,492,000 and RMB364,020,147,000, respectively, accounting for 66.8% and 73.3% of the total loans and advances granted by the Bank, respectively. During the Reporting Period, the Bank focused on the main responsibilities and main businesses to support the development of regional economy, continued to optimize its risk asset portfolio allocation and improved its service quality and efficiency.

## **(2) Borrower concentration**

### **Loans to the ten largest single borrowers**

The table below sets forth the borrowing amounts of the ten largest single borrowers of the Bank as at the end of the Reporting Period.

*(Expressed in thousands of Renminbi, unless otherwise stated)*

<b>Customer</b>	<b>Industry involved</b>	<b>As at 31 December 2021</b>	
		<b>Amount</b>	<b>% of total</b>
Customer A	Manufacturing	33,177,825	5.7
Customer B	Manufacturing	21,422,650	3.7
Customer C	Manufacturing	17,572,904	3.0
Customer D	Manufacturing	8,643,000	1.5
Customer E	Manufacturing	8,448,941	1.5
Customer F	Wholesale and retail trade	5,000,000	0.9
Customer G	Scientific research and technical services	5,000,000	0.9
Customer H	Scientific research and technical services	4,998,500	0.9
Customer I	Manufacturing	4,759,910	0.8
Customer J	Manufacturing	3,662,390	0.6

### (3) Distribution of non-performing loans by product type

The table below sets forth the loans and non-performing loans of the Bank by product type as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2021			As at 31 December 2020		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
<b>Corporate loans and advances</b>						
Small enterprises and micro enterprises	251,665,277	8,122,769	3.23	262,489,819	4,387,352	1.67
Medium enterprises	132,553,122	4,610,578	3.48	127,941,430	1,657,203	1.30
Others	114,364,006	392,400	0.34	76,956,554	1,384,740	1.80
<b>Subtotal</b>	<b>498,582,405</b>	<b>13,125,747</b>	<b>2.63</b>	<b>467,387,803</b>	<b>7,429,295</b>	<b>1.59</b>
<b>Discounted bills</b>	<b>66,814,874</b>	<b>-</b>	<b>-</b>	<b>19,232,486</b>	<b>-</b>	<b>-</b>
<b>Personal loans</b>						
Personal business loans	6,787,097	2,675,400	39.42	7,461,706	2,792,119	37.42
Personal consumption loans	155,752	20,136	12.93	345,922	22,915	6.62
Residential and commercial properties mortgage loans	3,645,394	57,609	1.58	2,085,147	38,474	1.85
Credit card overdrafts	920,562	5,472	0.59	236,472	4,886	2.07
Others	478	48	10.04	212	212	100.00
<b>Subtotal</b>	<b>11,509,283</b>	<b>2,758,665</b>	<b>23.97</b>	<b>10,129,459</b>	<b>2,858,606</b>	<b>28.22</b>
<b>Total</b>	<b>576,906,562</b>	<b>15,884,412</b>	<b>2.75</b>	<b>496,749,748</b>	<b>10,287,901</b>	<b>2.07</b>

The Bank's the non-performing loan ratio, which is the total non-performing loans divided by the Bank's total loans and advances to customers, was 2.75% as at the end of the Reporting Period, representing an increase of 0.68 percentage point as compared to 2.07% as at 31 December 2020.

As at the end of the Reporting Period, the non-performing loan ratio of the Bank's corporate loans and advances was 2.63%, representing an increase of 1.04 percentage points as compared with 1.59% as at 31 December 2020, which was mainly because some industries and enterprises were experiencing difficulties in production and operation and increased credit risk amidst the uncertainty and instability of global economy and due to the impact of the COVID-19 epidemic, resulting in an increase in the outstanding balance of non-performing loans.

As at the end of the Reporting Period, the non-performing loan ratio of the Bank's personal loans was 23.97%, representing a decrease of 4.25 percentage points as compared with 28.22% as at 31 December 2020, which was mainly because (i) the Bank increased residential and commercial properties mortgage loans resulting in an increased in personal loans; and (ii) the Bank increased its efforts to the recovery and disposal of personal business loans, resulting in an decrease in the non-performing balance of personal business loans.

#### **(4) Overdue loans and advances to customers**

The table below sets forth the ageing analysis of the Bank's overdue loans and advances to customers as at the dates indicated:

	As at 31 December 2021		As at 31 December 2020	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
Overdue within 3 months (inclusive)	3,996,958	24.6	5,784,530	37.0
Overdue for more than 3 months to 6 months (inclusive)	2,584,345	15.9	1,026,346	6.6
Overdue for more than 6 months to 1 year (inclusive)	944,776	5.8	2,583,149	16.5
Overdue for more than 1 year	<u>8,729,514</u>	<u>53.7</u>	<u>6,237,456</u>	<u>39.9</u>
<b>Total overdue loans and advances to customers</b>	<b><u>16,255,593</u></b>	<b><u>100.0</u></b>	<b><u>15,631,481</u></b>	<b><u>100.0</u></b>

#### **3.2.4 Analysis on capital adequacy ratios**

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Measures for Administration on Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) (effective since 1 January 2013) promulgated by the Former CBRC. As at the end of the Reporting Period, the Bank's core tier-one capital adequacy ratio was 8.29%, representing an increase of 0.06 percentage point as compared to that as at 31 December 2020; the tier-one capital adequacy ratio was 9.73%, representing an increase of 0.08 percentage point as compared to that as at 31 December 2020, mainly due to the decrease in the risk-weighted assets; the capital adequacy ratio was 11.50%, representing a decrease of 0.26 percentage point as compared to that as at 31 December 2020, mainly due to (i) the redemption of tier 2 capital bonds at maturity totaling RMB2,500 million; and (ii) an increase in other net deferred tax assets dependent on the Bank's future earnings because the Bank made an additional provision for asset impairment, resulting in a decrease in net capital.

The table below sets forth the relevant information of the Bank's capital adequacy ratio as at the dates indicated:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 31 December 2021</b>	<b>As at 31 December 2020</b>
<b>Core tier-one capital</b>		
– Share capital	13,981,616	13,981,616
– Qualifying portion of capital reserve	26,717,303	26,487,305
– Surplus reserve	3,241,844	3,056,744
– General reserve	12,156,776	11,800,217
– Retained earnings	2,583,431	2,429,877
– Qualifying portions of non-controlling interests	159,171	310,897
<b>Core tier-one capital deductions</b>		
– Other intangible assets other than land use right	(227,617)	(258,890)
– Other net deferred tax assets that depend on the Bank's future bank earnings	(1,731,668)	–
<b>Net core tier-one capital</b>	<b>56,880,856</b>	<b>57,807,766</b>
<b>Other tier-one capital</b>	<b>9,917,126</b>	<b>9,938,816</b>
<b>Net tier-one capital</b>	<b>66,797,982</b>	<b>67,746,582</b>
<b>Tier-two capital</b>		
– Instruments issued and share premium	4,000,000	6,500,000
– Surplus provision for loan impairment	8,113,014	8,238,503
– Qualifying portions of non-controlling interests	47,861	82,906
<b>Net capital base</b>	<b>78,958,857</b>	<b>82,567,991</b>
<b>Total risk weighted assets</b>	<b>686,415,699</b>	<b>702,372,570</b>
<b>Core tier-one capital adequacy ratio<sup>(1)</sup></b>	<b>8.29%</b>	<b>8.23%</b>
<b>Tier-one capital adequacy ratio<sup>(2)</sup></b>	<b>9.73%</b>	<b>9.65%</b>
<b>Capital adequacy ratio</b>	<b>11.50%</b>	<b>11.76%</b>

Notes:

(1) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.

(2) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.

### 3.2.5 Analysis of cash flow

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Year ended 31 December		Change in amount
	2021	2020	
Sub-total of cash inflow from operating activities	148,913,757	89,495,822	59,417,935
Subtotal of cash outflow from operating activities	(86,907,861)	(159,980,915)	73,073,054
<b>Net cash flows from/(used in) operating activities</b>	<b>62,005,896</b>	<b>(70,485,093)</b>	<b>132,490,989</b>
Subtotal of cash inflow from investing activities	54,813,641	156,045,348	(101,231,707)
Subtotal of cash outflow from investing activities	(70,705,205)	(102,224,146)	31,518,941
<b>Net cash flows (used in)/from investing activities</b>	<b>(15,891,564)</b>	<b>53,821,202</b>	<b>(69,712,766)</b>
Subtotal of cash inflow from financing activities	116,039,663	264,467,369	(148,427,706)
Subtotal of cash outflow from financing activities	(154,493,621)	(296,417,244)	141,923,623
<b>Net cash flows used in financing activities</b>	<b>(38,453,958)</b>	<b>(31,949,875)</b>	<b>(6,504,083)</b>
<b>Effect of changes in foreign exchange rate on cash and cash equivalents</b>	<b>(24,011)</b>	<b>(79,351)</b>	<b>55,340</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b><u>7,636,363</u></b>	<b><u>(48,693,117)</u></b>	<b><u>56,329,480</u></b>

During the Reporting Period, the net cash inflow generated operating activities was RMB62,006 million, of which, cash inflow was RMB148,914 million, representing a year-on-year increase of RMB59,418 million, mainly due to the increase in net increase in financial assets sold under repurchase agreements; cash outflow was RMB86,908 million, representing a year-on-year decrease of RMB73,073 million, mainly due to (i) the decrease in net increase in loans and advances to customers and (ii) decrease in cash outflow due to a net increase in borrowings from the Central Bank from a net decrease in the previous year to a net increase in the Reporting period.

During the Reporting Period, the net cash outflow from investing activities was RMB15,892 million, of which the cash inflow was RMB54,814 million, representing a year-on-year decrease of RMB101,232 million, mainly due to the decrease in cash flow received from the recovery of financial assets at fair value through profit or loss; the cash outflow was RMB70,705 million, representing a year-on-year decrease of RMB31,519 million, mainly due to the decrease in cash outflow from investment payments.

During the Reporting Period, the net cash outflow from financing activities was RMB38,454 million, of which cash inflow was RMB116,040 million, representing a year-on-year decrease of RMB148,428 million, mainly due to the decrease in cash inflow received from issuance Interbank Certificates of Deposit; cash outflow was RMB154,494 million, representing a year-on-year decrease of RMB141,924 million, mainly due to the decrease in cash outflow in settlement of the principal of due Interbank Certificates of Deposit.

## 3.2.6 Segment information

### 3.2.6.1 Summary of geographical segments

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches that generates the income. Substantially most of the Bank's businesses are conducted in the PRC and the Bank classifies its businesses in the PRC into the following three major geographical regions:

- (A) Jinzhou region: the Bank's headquarters, Jinzhou branch, Jinzhou Taihe Jinyin Village and Township Bank Co., Ltd.\* (錦州太和錦銀村鎮銀行股份有限公司), Liaoning Yixian Jinyin Village and Township Bank Co., Ltd.\* (遼寧義縣錦銀村鎮銀行股份有限公司), Liaoning Beizhen Jinyin Village and Township Bank Co., Ltd.\* (遼寧北鎮錦銀村鎮銀行股份有限公司), Liaoning Heishan Jinyin Village and Township Bank Co., Ltd.\* (遼寧黑山錦銀村鎮銀行股份有限公司) and Liaoning Linghai Jinyin Village and Township Bank Co., Ltd.\* (遼寧凌海錦銀村鎮銀行股份有限公司).
- (B) Other Northeastern China region (excluding Jinzhou region): Shenyang branch, Dalian branch, Harbin branch, Dandong branch, Fushun branch, Anshan branch, Chaoyang branch, Fuxin branch, Liaoyang branch, Huludao branch, Benxi branch, Yingkou branch, Liaoning Kazuo Jinyin Village and Township Bank Co., Ltd.\* (遼寧喀左錦銀村鎮銀行股份有限公司), Liaoning Huanren Jinyin Village and Township Bank Co., Ltd.\* (遼寧桓仁錦銀村鎮銀行股份有限公司) and Bank of Jinzhou Financial Leasing Co., Ltd.\* (錦銀金融租賃有限責任公司).
- (C) Northern China region: Beijing branch and Tianjin branch.

The following is a breakdown of the Bank's operating income by region:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>For the year ended 31 December</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
<b>Operating income</b>				
Jinzhou region	8,858,198	70.5	4,723,860	50.8
Other Northeastern China region	2,516,103	20.0	3,240,386	34.8
Northern China region	1,193,503	9.5	1,345,047	14.4
<b>Total</b>	<b><u>12,567,804</u></b>	<b><u>100.0</u></b>	<b><u>9,309,293</u></b>	<b><u>100.0</u></b>

### 3.2.6.2 Summary of business segments

The Bank manages its businesses through different business segments divided by business lines and geographical areas. Consistent with the way in which information is reported internally to the Bank's management for the purposes of resource allocation and performance assessment, the Bank determined the following reporting segments based on the business segments:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>For the year ended 31 December</b>			
	<b>2021</b>		<b>2020</b>	
	<b>Amount</b>	<b>% of total</b>	<b>Amount</b>	<b>% of total</b>
<b>Operating income</b>				
Corporate banking business	9,030,593	71.9	11,089,334	119.1
Retail banking business	1,156,105	9.2	734,653	7.9
Treasury business	2,380,952	18.9	(2,541,196)	(27.3)
Others	154	0.0	26,502	0.3
<b>Total</b>	<b><u>12,567,804</u></b>	<b><u>100.0</u></b>	<b><u>9,309,293</u></b>	<b><u>100.0</u></b>

### 3.2.7 Analysis of off-balance sheet items

The Bank's off-balance sheet items include credit commitment and other off-balance sheet items. Credit commitment mainly includes acceptances, letters of credit, letters of guarantees, loan commitments and credit card commitments. Other off-balance sheet items include capital expenditure commitments. The following table sets forth the Bank's credit commitments and other off-balance sheet items as at the dates indicated:

	As at 31 December 2021	As at 31 December 2020
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>		
Acceptances	66,702,718	81,509,790
Letters of credit	3,365,623	1,399,829
Letters of guarantees	1,786,202	188,228
Loan commitments	485,056	352,286
Credit card commitments	1,431,624	1,599,581
<b>Subtotal</b>	<b>73,771,223</b>	<b>85,049,714</b>
Capital expenditure commitments	35,126	39,813
<b>Subtotal</b>	<b>35,126</b>	<b>39,813</b>
<b>Total</b>	<b>73,806,349</b>	<b>85,089,527</b>

As at the end of the Reporting Period, the Bank's off-balance sheet items amounted to RMB73,806,349,000, representing a decrease of RMB11,283,178,000 or 13.3% as compared with that as at 31 December 2020, mainly due to the Bank's restructuring of its credit and customer composition and decrease in total volume of promissory note business.

### 3.3 Risk Management

Comprehensive risk management is a process to effectively identify, assess, measure, monitor, control or mitigate and report risks in order to ensure the realization of the operating and strategic objectives by setting up effective and balanced risk governance structure, fostering robust and prudent risk culture, formulating unified risk management strategies and risk appetite, and implementing the risk limit and risk management policies.

The Board of Directors of the Bank is responsible for coordinating and leading the Bank's risk management efforts and assumes ultimate responsibility for overall risk management. The Board of Directors deliberates on risk management related resolutions, strengthens policy guidance and guides the establishment of rules and regulations to further standardize the overall risk management mechanism. At the same time, the Board of Directors is concerned about the risk situation in key areas and keeps track of the implementation of the supervisory policies to strictly guard the risk bottom line. The Directors put forward professional opinions and suggestions on the resolutions and reports, providing strong support to the Board of Directors for scientific and efficient decision-making.

The Bank implements the development concept of “compliance, innovation, coordination and quality”, adheres to working on high-quality organic development path, formulates and implements a prudent risk appetite, complies with regulatory requirements, operates in compliance with the laws and regulations and insists on a balance between capital, risk and gains. The Bank will continue to improve its risk governance structure and risk management system, conduct effective identification, measurement, control, supervision and reporting on various types of actual risks, and continuously enhance its overall risk management capabilities to provide effective guarantee for the achievement of the Bank’s strategic objectives for and achieve sustainable development of the Bank.

The Bank has established a risk management policy to identify and analyze the risks faced by the Bank and established internal control procedures to monitor the Bank’s risk level. The Bank regularly reviews its risk management policies and internal control system to adapt to changes in market conditions or the Bank’s business activities.

### **3.3.1 Credit risk**

Credit risk refers to the risk arising from the failure of the borrowers of the Bank or counterparties to meet their obligations under the agreement. The core to the Bank’s credit risk management system includes: the formulation of credit policies, due diligence, customer credit rating, assessment of collaterals, loan review and approval, loan disbursement management, post-loan management, non-performing loan management, and accountability.

The Board and senior management of the Bank are fully aware of the credit risks in various businesses, supervise and organize the identification, measurement, control and mitigation of credit risks. The Board and its special committees approve credit risk management policies and procedures, and evaluate and supervise credit risk management. Senior management and its special committees continuously improve the credit risk management system, formulate clear implementation and accountability mechanisms, study major credit risk matters and response measures, and report to the Board.

The credit and risk management department of the Bank is a functional department responsible for the management of the credit policies, risk management and business monitoring of the Bank; the credit approval department is responsible for the credit management, rating management and lending control of the Bank, improving the credit approval system and workflow, and organising credit review committee meetings; the risk asset management center is responsible for the collection, disposal and management of risk assets as well as potential risk assets to be disposed of and conduct such procedures by applying list-based or project-based management according to the characteristics of the collection process.

With respect to credit risk control and management, the Bank specifies the respective duties and operating procedure of each department according to the principles of separation of credit investigation and credit approval, separation of management and review, and separation of credit limit and review, and improves the credit approval process of each department. The Bank has established the operating mechanism of the credit approval committee under the collective review system.

During the Reporting Period, the Board of Directors and senior management of the Bank kept abreast of the Bank's asset quality, structural investment, risk mitigation and capital management by reviewing risk management systems, work plans and risk management reports, and supervised the Bank to re-establish its credit risk management system, effectively prevent and control major risks, and proactively control the quality of assets.

### **3.3.2 Operational risk**

Operational risk refers to, in the process of operation and management of a commercial bank, the risk resulting from imperfect governance structure of the legal persons, unsound internal control system, deviation of operational procedures and standards, violation by business personnel of procedural requirements and the failure by the internal control system to effectively identify, warn and prevent non-compliance and improper operation.

The Bank has incorporated operational risk into its comprehensive risk management system, and has built an operational risk governance structure consisting of the Board, senior management, the operational risk management committee and the three lines of defense. The Board is ultimately responsible for monitoring the effectiveness of operational risk management, and senior management is responsible for implementing the operational risk management strategy, overall policies and systems approved by the Board of Directors.

The Bank's internal control and compliance department is responsible for the monitoring, inspection and evaluation of the adequacy and effectiveness of the Bank's operational risk management system and conducts review of the Bank's internal control system and its implementation. The Bank has established a bank of key risk indicators for operational risk and a loss event collection mechanism and risk self-assessment system, and collects indicator and data regularly, analyzes the data and reports to the management on the operational risk status.

### **3.3.3 Market Risk**

Market risk refers to the risk of losses that the Bank may suffer in the Bank's on/ off-balance-sheet business as a result of unfavorable changes in market prices, including interest rates, exchange rates, stock prices and commodity prices.

The Bank's exposure to the market risk mainly includes interest rate risk and exchange rate risk. The Bank aims to implement effective market risk management in order to control the market risk within the scope which is acceptable for the Bank, ensuring that the market risk assumed matches with the operational goals and the development plan of the Bank.

The market risk management system of the Bank consists of the Board of Directors, the Board of Supervisors, senior management and the market risk business operation department. The Board of Directors and senior management implement effective monitoring of the market risk management system and assume the ultimate responsibility for the implementation of monitoring of market risk management. The Board of Supervisors is responsible for supervising and inspecting the performance of duties and responsibilities of the Board of Directors and senior management, and supervising the rectification. The Bank establishes an independent market risk management committee under the risk management committee at the senior management level to lay a solid foundation for improving the management level and capabilities of market risk.

The Bank's credit and risk management department is responsible for continuously monitoring and assessing the adequacy and effectiveness of the Bank's market risk management system. The assets and liabilities management department, the financial market department, the assets management department and interbank department are responsible for the interest rate risks and exchange rate risks respectively.

### **3.3.3.1 Interest rate risk**

The interest rate risk is reflected by the Bank's exposure to overall revenue and economic value losses as a result of unfavourable changes in key elements such as interest rate and term structure. The Bank classified the transactions as banking account transactions and trading account transactions. The identification, measurement, monitoring and controls over the relevant market risks are based on the nature and characteristics of these accounts. The trading account transactions include the Bank's investments with an intention to sell in the short term and profit from actual or expected short-term price fluctuations or with risk exposures locked in. The banking account transactions represent non-trading businesses. The primary objective of interest rate risk management is to minimise potential adverse effects on the net interest income and the economic value caused by interest rate volatility. The Bank mainly analyses the interest rate risk of banking account transactions.

Interest rate risk is integrated into the overall risk management system. The Bank's asset and liability management department is responsible for the leading management of interest rate risk in the banking book, and other business departments implement interest rate risk management policies and standards according to functional division.

During the Reporting Period, the Bank closely monitored the changes in policies and external interest rate, measured interest rate risks on the banking book on a regular basis, with measurement methods including but not limited to re-pricing of gap risk, duration analysis, simulation of changes in net interest income and economic value, regularly conducted stress tests on interest rate risk in the banking book, and continuously monitored the levels of various indicators to ensure that interest rate risk of the Bank was under control.

The following tables indicate the assets and liabilities as at the end of the Reporting Period by the expected next repricing dates or by maturity dates, whichever is earlier:

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	As at 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
<b>Assets</b>						
Cash and deposits with the central bank	49,105,274	685,099	48,420,175	-	-	-
Deposits with banks and other financial institutions	10,359,233	102,715	10,256,518	-	-	-
Placements with banks and other financial institutions	5,547,196	689,307	4,857,889	-	-	-
Financial assets held under resale agreements	4,905,630	522	4,905,108	-	-	-
Loans and advances to customers <sup>(1)</sup>	586,322,888	35,895,690	188,693,787	209,755,817	137,280,451	14,697,143
Investment <sup>(2)</sup>	168,411,876	6,511,171	18,252,124	5,433,172	55,730,465	82,484,944
Finance lease receivables <sup>(3)</sup>	2,515,169	-	1,173,518	-	1,341,651	-
Others	22,494,736	22,393,557	62,189	38,990	-	-
<b>Total assets</b>	<b>849,662,002</b>	<b>66,278,061</b>	<b>276,621,308</b>	<b>215,227,979</b>	<b>194,352,567</b>	<b>97,182,087</b>
<b>Liabilities</b>						
Borrowings from the central bank	1,438,896	901	2,859	1,435,136	-	-
Deposits from banks and other financial institution	137,348,637	1,103,370	45,963,437	25,205,000	65,076,830	-
Placements from banks and other financial institutions	17,315,110	88,203	15,991,006	1,235,901	-	-
Financial assets sold under repurchase agreements	107,181,604	192,120	106,011,606	977,878	-	-
Deposits from customers	476,072,906	10,869,833	121,956,607	161,086,592	182,152,048	7,826
Debt securities payable	35,297,113	150,893	25,006,475	6,143,380	-	3,996,365
Others	3,997,447	3,336,920	181,888	327,697	106,034	44,908
<b>Total liabilities</b>	<b>778,651,713</b>	<b>15,742,240</b>	<b>315,113,878</b>	<b>196,411,584</b>	<b>247,334,912</b>	<b>4,049,099</b>
<b>Asset-liability gap</b>	<b>71,010,289</b>	<b>50,535,821</b>	<b>(38,492,570)</b>	<b>18,816,395</b>	<b>(52,982,345)</b>	<b>93,132,988</b>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 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
<b>Assets</b>						
Cash and deposits with the central bank	55,826,576	759,215	55,067,361	-	-	-
Deposits with banks and other financial institutions	4,748,291	89,581	4,633,510	25,200	-	-
Placements with banks and other financial institutions	6,062,898	363,661	-	5,699,237	-	-
Financial assets held under resale agreements	4,273,751	167	4,273,584	-	-	-
Loans and advances to customers <sup>(1)</sup>	495,464,197	19,147,848	109,286,846	177,630,369	175,756,076	13,643,058
Investment <sup>(2)</sup>	180,701,450	8,124,335	20,619,641	21,561,907	46,325,472	84,070,095
Finance lease receivables <sup>(3)</sup>	3,248,825	-	681,884	477,198	2,089,743	-
Others	27,666,336	27,548,703	4,951	112,682	-	-
<b>Total assets</b>	<b><u>777,992,324</u></b>	<b><u>56,033,510</u></b>	<b><u>194,567,777</u></b>	<b><u>205,506,593</u></b>	<b><u>224,171,291</u></b>	<b><u>97,713,153</u></b>
<b>Liabilities</b>						
Borrowings from the central bank	105,816	266	20,690	84,860	-	-
Deposits from banks and other financial institution	135,044,341	1,399,972	45,042,539	19,995,000	68,606,830	-
Placements from banks and other financial institutions	22,645,854	142,592	14,800,000	7,703,262	-	-
Financial assets sold under repurchase agreements	35,102,853	88,167	35,014,686	-	-	-
Deposits from customers	439,223,670	10,150,624	120,795,048	135,690,287	172,257,907	329,804
Debt securities payable	71,270,006	151,536	43,712,072	20,911,153	-	6,495,245
Others	3,357,604	2,469,386	296,344	359,790	159,879	72,205
<b>Total liabilities</b>	<b><u>706,750,144</u></b>	<b><u>14,402,543</u></b>	<b><u>259,681,379</u></b>	<b><u>184,744,352</u></b>	<b><u>241,024,616</u></b>	<b><u>6,897,254</u></b>
<b>Asset-liability gap</b>	<b><u>71,242,180</u></b>	<b><u>41,630,967</u></b>	<b><u>(65,113,602)</u></b>	<b><u>20,762,241</u></b>	<b><u>(16,853,325)</u></b>	<b><u>90,815,899</u></b>

**Notes:**

- (1) For loans and advances to customers, the category “less than three months” includes overdue amounts as at the end of the Reporting Period (net of provision for impairment losses) of RMB7,190 million (31 December 2020: RMB6,734 million).
- (2) Investments include financial assets at fair value through profit or loss, at fair value through other comprehensive income and at amortised cost. For investments, the category “less than three months” includes overdue amounts as at the end of the Reporting Period (net of provision for impairment losses) of RMB1,118 million (31 December 2020: RMB8,583 million).
- (3) For finance lease receivables, the category “less than three months” includes overdue amounts as at the end of the Reporting Period (net of provision for impairment losses) of RMB1,167 million (31 December 2020: RMB682 million).

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit and shareholders' equity. The following table sets forth, as of the dates indicated, the results of the Bank's interest rate sensitivity analysis based on the Bank's assets and liabilities as at the same date:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	2021		2020	
	Change of net profit	Shareholders equity change	Change of net profit	Shareholders equity change
Increased by 100 basis points	729,460	2,071,064	1,156,203	1,711,447
Decreased by 100 basis points	(736,960)	(2,150,796)	(1,159,287)	(1,748,899)

### 3.3.3.2 Foreign exchange risk

Exchange rate risk refers to the risk of loss in foreign exchange exposure arising from unbalanced currency structure of the foreign exchange assets and liabilities due to adverse movements in exchange rates. The objective of exchange rate risk management is to ensure the impact of exchange rate changes on the Bank's financial position and shareholders' equity is kept within an acceptable range.

Exchange rate risk is incorporated into the comprehensive risk management system. The Bank's asset and liability management department is responsible for leading management of foreign exchange rate risk, and other business departments implement foreign exchange rate risk management policies and standards according to functional division.

During the Reporting Period, the Bank closely monitored changes in the external environment and market conditions, and actively applied a number of portfolio management measures such as limit management and risk hedging to adjust and optimize the total amount and structure of foreign exchange assets and liabilities, so that the exchange rate risk of the Bank was under control.

The Bank's currency exposures as at the end of the relevant periods are as follows:

	As at 31 December 2021			Total
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>				
<b>Assets</b>				
Cash and deposits with the central bank	49,000,749	104,255	270	49,105,274
Deposits with banks and other financial institutions	9,864,106	438,440	56,687	10,359,233
Placements with banks and other financial institutions	5,547,196	–	–	5,547,196
Loans and advances to customers	586,279,381	40,294	3,213	586,322,888
Others	193,969,677	4,357,734	–	198,327,411
<b>Total assets</b>	<b>844,661,109</b>	<b>4,940,723</b>	<b>60,170</b>	<b>849,662,002</b>
<b>Liabilities</b>				
Borrowing from the central bank	1,438,896	–	–	1,438,896
Deposits from banks and other financial institutions	137,348,637	–	–	137,348,637
Placements from banks and other financial institutions	17,027,933	287,177	–	17,315,110
Deposits from customers	474,809,336	1,243,159	20,411	476,072,906
Debt securities payable	35,297,113	–	–	35,297,113
Others	110,985,504	193,547	–	111,179,051
<b>Total liabilities</b>	<b>776,907,419</b>	<b>1,723,883</b>	<b>20,411</b>	<b>778,651,713</b>
<b>Net position</b>	<b>67,753,690</b>	<b>3,216,840</b>	<b>39,759</b>	<b>71,010,289</b>
<b>Off-balance sheet credit commitments</b>	<b>73,299,579</b>	<b>471,644</b>	<b>–</b>	<b>73,771,223</b>

	As at 31 December 2020			Total
	RMB	USD (RMB Equivalent)	Others (RMB Equivalent)	
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>				
<b>Assets</b>				
Cash and deposits with the central bank	55,690,242	136,157	177	55,826,576
Deposits with banks and other financial institutions	4,266,286	430,291	51,714	4,748,291
Placements with banks and other financial institutions	6,062,898	–	–	6,062,898
Loans and advances to customers	494,876,693	578,211	9,293	495,464,197
Others	211,873,825	4,016,537	–	215,890,362
<b>Total assets</b>	<b>772,769,944</b>	<b>5,161,196</b>	<b>61,184</b>	<b>777,992,324</b>
<b>Liabilities</b>				
Borrowing from the central bank	105,816	–	–	105,816
Deposits from banks and other financial institutions	135,044,341	–	–	135,044,341
Placements from banks and other financial institutions	22,642,588	3,266	–	22,645,854
Deposits from customers	436,567,701	2,632,037	23,932	439,223,670
Debt securities payable	71,270,006	–	–	71,270,006
Others	38,259,005	201,452	–	38,460,457
<b>Total liabilities</b>	<b>703,889,457</b>	<b>2,836,755</b>	<b>23,932</b>	<b>706,750,144</b>
<b>Net position</b>	<b>68,880,487</b>	<b>2,324,441</b>	<b>37,252</b>	<b>71,242,180</b>
<b>Off-balance sheet credit commitments</b>	<b>84,712,639</b>	<b>337,075</b>	<b>–</b>	<b>85,049,714</b>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2021		As at 31 December 2020	
	RMB	USD equivalent	RMB	USD equivalent
On-balance-sheet net foreign exchange exposures	3,256,599	510,783	2,361,693	361,951
Off-balance-sheet net foreign exchange exposures	(1,047,761)	(164,337)	(1,367,546)	(209,589)
<b>Total net foreign exchange exposures</b>	<b>2,208,838</b>	<b>346,446</b>	<b>994,147</b>	<b>152,362</b>

The Bank uses sensitivity analysis to measure the potential impact of changes in interest rate on its net profit and shareholders' equity. The following table sets forth, as of the dates indicated, the results of the Bank's interest rate sensitivity analysis based on the Bank's assets and liabilities as at the same date:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Fluctuation of foreign exchange rates	2021		2020	
		Change of net profit	Shareholders equity change	Change of net profit	Shareholders equity change
USD	1%	16,566	16,566	7,456	7,456
USD	-1%	(16,566)	(16,566)	(7,456)	(7,456)

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and is based on the following assumptions:

- The foreign exchange sensitivity represents the gain and loss on foreign exchange recognised as a result of the fluctuation of the foreign currency exchange rates against RMB by 1%;
- The fluctuation of exchange rates on the balance date by 1% is based on the assumption of the fluctuation of exchange rates over the next 12 months;
- The exchange rates against RMB for the US dollars change in the same direction simultaneously. Due to the immaterial proportion of the Bank's other foreign currency assets and liabilities denominated in non-US dollar to total assets and liabilities, the calculation of the amount of USD equivalent of other foreign currencies in the above sensitivity analysis shall have potential impacts on the Bank's net profit and shareholders' equity;
- The foreign exchange exposures calculated include spot and forward foreign exchange exposures;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Bank.

Due to the above assumptions adopted, actual changes in the Bank's net profit and equity resulting from the increase or decrease in foreign exchange rates might vary from the results of this sensitivity analysis.

### 3.3.4 Liquidity Risk

Liquidity risk represents the risk that a commercial bank is unable to raise sufficient funds at reasonable costs in a timely manner to satisfy its liabilities due to perform other payment obligations and to satisfy other funds requirements of normal businesses. In extreme cases, liquidity insufficiency can lead to settlement risks of commercial banks. Significant growth in the demand for credit facilities, substantial performance of loan commitments, unexpected increase in non-performing loans, sharp decrease in deposit level and financing difficulties in the currency market may affect the Bank's liquidity. Meanwhile, adjustment in financial policies, dramatic changes in interest rates in the market, the asset and liability structure and liquidity management capability of the Bank are also important factors which affect the Bank's liquidity.

The Group has established asset and liability management strategies and liquidity management policy incorporated into its comprehensive risk management system. The Bank's Board of Directors is responsible for reviewing and approving its liquidity risk appetite, liquidity risk management strategies, significant policies and procedures, continuously paying attention to its liquidity risk profile, regularly reviewing liquidity risk reports, and keeping abreast of its liquidity risk level, management status and its major changes. The asset and liability management committee of the Bank is responsible for Bank-wide liquidity management and establishes liquidity management objectives according to the requirements and regulatory indicators for asset and liability management at the beginning of each year.

The asset and liability management department of the Bank is responsible for the identification, measurement, monitoring and control of the Bank's liquidity risk, while members of the asset and liability management committee is responsible for implementation of the liquidity management policies.

During the Reporting Period, the Bank paid close attention to the pressure on liquidity management arising from changes in the economic and financial situation, improved the level of refinement in liquidity management. The Bank coordinated the sources of funds and the scale and pace of fund operations, and reasonably arranged the funds available to the Bank according to the capital situation to support the balanced and steady development of various asset and liability businesses. The Bank continued to strengthen the forecast of large-sum funds and the management of fund monitoring, enhanced the ability to predict market changes, and improved the identification, measurement and monitoring of liquidity risk. The Bank timely conducted liquidity gap forecasts and liquidity stress tests at key time points, taking into account the market environment and business situation, and formulated emergency measures; strengthened the management of liquidity indicators, and actively took effective measures to promote continuous improvement of indicators and improve liquidity risk resilience.

The following tables provide an analysis of assets and liabilities of the Bank into relevant maturity groupings based on the remaining periods to repayment at the end of the relevant periods:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 31 December 2021							Total
	Repayable on 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	
<b>Assets</b>								
Cash and deposits with the central bank	37,646,461	11,458,813	-	-	-	-	-	49,105,274
Deposits with banks and other financial institutions	-	10,359,233	-	-	-	-	-	10,359,233
Placements with banks and other financial institutions	173,266	-	-	5,373,930	-	-	-	5,547,196
Financial assets held under resale agreements	-	-	4,905,630	-	-	-	-	4,905,630
Loans and advances to customers	8,758,862	2,319,030	17,653,147	177,505,981	214,009,062	144,150,494	21,926,312	586,322,888
Investments	2,625,307	7,247,276	1,414,517	10,369,744	5,782,618	56,554,938	84,417,476	168,411,876
Finance lease receivables	1,695,074	-	-	6,853	-	813,242	-	2,515,169
Others	22,393,557	-	25,868	36,321	38,990	-	-	22,494,736
<b>Total assets</b>	<b>73,292,527</b>	<b>31,384,352</b>	<b>23,999,162</b>	<b>193,292,829</b>	<b>219,830,670</b>	<b>201,518,674</b>	<b>106,343,788</b>	<b>849,662,002</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	-	559	2,300	1,436,037	-	-	1,438,896
Deposits from banks and other financial institutions	-	2,121,099	14,708,109	29,423,713	25,467,894	65,627,822	-	137,348,637
Placements from banks and other financial institutions	-	-	10,412,998	5,659,752	1,242,360	-	-	17,315,110
Financial assets sold under repurchase agreements	-	-	49,717,406	56,483,615	980,583	-	-	107,181,604
Deposits from customers	-	58,983,379	17,035,028	48,771,107	164,862,959	186,412,275	8,158	476,072,906
Debt securities payable	-	-	7,558,918	17,568,691	6,173,139	-	3,996,365	35,297,113
Others	-	3,343,792	48,130	126,886	329,389	104,342	44,908	3,997,447
<b>Total liabilities</b>	<b>-</b>	<b>64,448,270</b>	<b>99,481,148</b>	<b>158,036,064</b>	<b>200,492,361</b>	<b>252,144,439</b>	<b>4,049,431</b>	<b>778,651,713</b>
<b>Asset-liability gap</b>	<b>73,292,527</b>	<b>(33,063,918)</b>	<b>(75,481,986)</b>	<b>35,256,765</b>	<b>19,338,309</b>	<b>(50,625,765)</b>	<b>102,294,357</b>	<b>71,010,289</b>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	As at 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	
<b>Assets</b>								
Cash and deposits with the central bank	44,715,148	11,111,428	-	-	-	-	-	55,826,576
Deposits with banks and other financial institutions	-	4,723,063	-	-	25,228	-	-	4,748,291
Placements with banks and other financial institutions	173,265	-	-	-	5,889,633	-	-	6,062,898
Financial assets held under resale agreement	-	-	4,273,751	-	-	-	-	4,273,751
Loans and advances to customers	6,912,884	1,456,843	36,497,920	71,860,569	182,209,335	178,370,561	18,156,085	495,464,197
Investments	10,978,791	16,502	4,397,144	9,062,544	23,028,721	47,784,052	85,433,696	180,701,450
Finance lease receivables	694,914	316,266	-	-	477,198	1,760,447	-	3,248,825
Others	27,548,703	-	175	4,775	112,683	-	-	27,666,336
<b>Total assets</b>	<b>91,023,705</b>	<b>17,624,102</b>	<b>45,168,990</b>	<b>80,927,888</b>	<b>211,742,798</b>	<b>227,915,060</b>	<b>103,589,781</b>	<b>777,992,324</b>
<b>Liabilities</b>								
Borrowing from the central bank	-	-	-	20,741	85,075	-	-	105,816
Deposits from banks and other financial institutions	-	10,705,623	10,828,879	23,025,063	21,150,910	69,333,866	-	135,044,341
Placements from banks and other financial institutions	-	-	9,851,954	5,032,752	7,761,148	-	-	22,645,854
Financial assets sold under repurchase agreements	-	-	24,395,285	10,707,568	-	-	-	35,102,853
Deposits from customers	-	72,215,368	14,034,669	37,400,562	138,903,886	176,331,666	337,519	439,223,670
Debt securities payable	-	-	10,090,547	33,724,026	20,960,188	-	6,495,245	71,270,006
Others	-	2,469,386	61,940	234,404	359,790	159,879	72,205	3,357,604
<b>Total liabilities</b>	<b>-</b>	<b>85,390,377</b>	<b>69,263,274</b>	<b>110,145,116</b>	<b>189,220,997</b>	<b>245,825,411</b>	<b>6,904,969</b>	<b>706,750,144</b>
<b>Asset-liability gap</b>	<b>91,023,705</b>	<b>(67,766,275)</b>	<b>(24,094,284)</b>	<b>(29,217,228)</b>	<b>22,521,801</b>	<b>(17,910,351)</b>	<b>96,684,812</b>	<b>71,242,180</b>

At the end of the Reporting Period, as at 30 September 2021 and as at 30 June 2021, the net stable funding ratio of the Bank was 121.17%, 125.39% and 117.95%, respectively.

At the end of the Reporting Period, the stable funds available to the Bank were RMB560,466 million and the required stable funds were RMB462,563 million.

### **3.3.5 Information Technology Risk**

Information technology risk includes risks arising from our use of information technology, such as operational risk, legal risk, reputational risk and other types of risks caused by natural factors, human errors, technical loopholes and management failure.

The Bank has established an information technology risk management system and incorporated information technology risk into the comprehensive risk management system by setting up a corresponding organizational structures, including the Board of Directors, the information technology management Committee, the information technology management department, the risk management function department, and the audit function department.

The Bank has formulated and continuously improve the information technology risk management policies. Led by the internal control and compliance department, the Bank's information technology department and the internal control and compliance department jointly undertake the function of the second line of defense for information technology risk management, and are responsible for formulating IT risk management strategies, organizing information technology risk assessment, monitoring, control and reporting, and supervising the implementation of information technology risk management. The Bank has established the criteria for monitoring key risk exposures of information technology, collected indicators on a monthly basis to analyze them and reported to the senior management. The completeness and validity of the indicators are also reviewed and re-examined regularly and information technology risk management level is continuously improved.

### **3.3.6 Reputation Risk**

Reputation risk refers to the risk resulting from negative comments to the Bank by its stakeholders, the public and the media as results of the Bank's operating unit action, employees behaviour or external events, which may damage the Bank's brand value, adversely affect its normal operations, and even affect market stability and social stability. Reputation risk management refers to the process and method of establishing a sound reputation risk management system in accordance with reputation risk management objectives and planning, and providing assurance for achieving the overall objectives of reputation risk management through daily reputation risk management and proper handling of reputation risk events.

The Board of Directors, Board of Supervisors and senior management of the Bank assume the ultimate responsibility for reputation risk management, supervisory responsibility and management responsibility, respectively. The Board of Directors is responsible for determining the reputation risk management strategy and overall objectives, grasping the status of reputation risk, and supervising senior management in carrying out reputation risk management. The Bank's office is the lead management department for reputation risk, and its duties and responsibilities include guiding and coordinating other functional departments, branches and subsidiaries to implement the requirements of the reputation risk management system, and taking the lead in identifying and coordinating the management of reputation risks and reputation events.

During the Reporting Period, the Bank continued to revise its reputation risk management approach, carried out real-time monitoring of online public opinion, standardized internal management of major emergencies, improved emergency response plan, actively publicize its contributions in reform and restructuring, operation and development, service to regional economy and social responsibility, continuously improved the reputation risk management mechanism, strengthened reputation risk identification, monitoring, control and solution, and improved the level of reputation risk control.

### **3.3.7 Country Risk**

Country risk refers to the risk that the borrowers or debtors of a country or region are unable or refuse to repay the debts of a bank, or causes the bank's business in the country or region to suffer losses, or causes the bank to suffer other losses due to economic, political and social changes and events. It may be triggered by economic deterioration, political and social turmoil, nationalization or expropriation of property, government repudiation of foreign debts, foreign exchange control or currency depreciation in the country or region.

The Bank incorporates the country risk management into its overall risk management system and regularly identifies, measures, evaluates and monitors country risk in accordance with regulatory requirements, and manages the limits and dynamically adjusts them in accordance with changes in country risk. The Bank's country risk rating system is mainly based on the rating results of the sovereign rating models of rating agencies.

As at the end of the Reporting Period, the Bank's assets involved in country risk exposure were relatively small in size and the level of country risk was relatively low, and full provision for country risk had been made in accordance with regulatory requirements. The country risk will not have a material impact on the Bank's business operations.

### **3.3.8 Anti-money Laundering Management**

The Bank continuously practiced the “risk-oriented” working philosophy on anti-money laundering and earnestly fulfilled its anti-money laundering obligations. It implemented national laws, regulations and regulatory policies on anti-money laundering as well as the requirements of the PBOC and relevant regulatory authorities to constantly improve the compliance and effectiveness of anti-money laundering management, seriously implement measures on the control of money laundering risks and steadily enhance the standard of anti-money laundering. During the Reporting Period, the Bank continued to perfect the internal control system on anti-money laundering, and formed an anti-money laundering work system with a sound organizational structure, a rational structure, clear responsibilities and complete mechanisms. The Bank earnestly carried out customer identification and due diligence, submitted reports on large-scale transactions and suspicious transactions in a timely manner, classified reasonable division and adjustment toward customer risk levels, continuously optimized its anti-money laundering system, adjusted suspicious transaction monitoring models and indicators, enhanced internal supervision and management on anti-money laundering, organized and carried out publicity and education on anti-money laundering to promote the continuous improvement of the Bank’s anti-money management.

### **3.3.9 Anti-corruption work**

The Bank has attached great importance to its work in combating corruption and upholding integrity, and strictly complies with party policies and regulations as well as national laws and regulations, thus continuously promoting the system construction for punishment and prevention of corruption. The Bank strengthens the management of public complaints and proposals and formulates related systems to clarify the scope of matters, working procedures and requirements that shall be handled by the Bank according to the law for the handling of the information, suggestions, opinions or demands of the petitioners to the Bank. The Bank promptly accepts suspicious issues reported from the public or pointed out by higher-level discipline inspection organizations and regulatory departments, and conducts investigation in a classified manner. The Bank strictly followed the supervision and disciplinary rules to do the handling work well, and continuously stepped up efforts to correct and investigate the style and corruption issues in the work while upholding no restricted area, full coverage and zero tolerance; for minor violations of regulations and disciplines, the Bank eliminated these irregularities at the earliest by interviews and giving reminders, critical education, inspection as well as warning speeches, thereby preventing corruption; for those who have violated regulations and disciplines and need to be held accountable, the Bank strictly implemented the procedures for filing, review and trial, and strictly followed the rules and disciplines to conduct party and administrative disciplinary actions; for suspected illegal and criminal issues clues, the Bank timely reported with the supervisory and judicial organs. The Bank received 1 criminal judgement against an employee who had been dismissed during the Reporting Period, and the personnel concerned had been sentenced and fined. The Bank continued to strengthen anti-corruption and integrity promotion work, standardize business operation process, strengthened the management of key positions in key areas, increased the intensity of warning education, and enhanced the awareness of cadres and employees in integrity and self-discipline to prevent the occurrence of case risks.

### **3.3.10 Protection of Consumer Rights**

The Bank attaches great importance to the protection of consumer rights, earnestly fulfilled the primary responsibilities on the protection of consumer rights, continuously enhanced the construction of the institutional mechanism, improved various management systems and focused on incorporating the protection of consumer rights into corporate governance and corporate culture construction. According to the latest laws, regulations and regulatory requirements and with the financial consumers' demands as the orientation, the Bank formulated and amended relevant systems and continuously strengthened the foundation of consumer rights and interests protection system. Combining the requirements on the normalized epidemic prevention and control, the Bank insisted on the combination of offline and online education, continued to establish a long-term mechanism on financial knowledge publicity and education for consumers and intensified publicity and education efforts on the elderly and young groups to continuously enhance consumers' awareness of risk prevention and financial literacy.

The Bank firmly adhered to the "customer-centric" philosophy, focused on the management of customer demands and complaints and improved the quality and efficiency in handling complaints through improving mechanisms and systems, establishing systems, optimizing handling procedures, strengthening statistics and analysis and other measures. During the Reporting Period, the Bank received a total of 90 consumer complaints, including 30 complaints about RMB savings, 30 complaints about bank cards, 12 complaints about loans, 2 complaints about self-managed wealth management, 3 complaints about payment settlement, 1 complaint about intermediary business, 1 complaint about debt collection and 11 complaints about other complaints. The regional distribution of complaints was 76 consumer complaints in Liaoning, 3 consumer complaints in Beijing, 2 consumer complaints in Heilongjiang and 9 consumer complaints in Tianjin. The on time feedback rate and the settlement rate of the Bank for consumption complaints was 100% and 100%, respectively.

### **3.4 Future Prospects**

The Bank followed the guidance of Xi Jinping's thoughts on Socialism with Chinese Characteristics for a New Era, fully implemented the spirit of 19th National Congress of the Communist Party of China and the Fifth and Sixth Plenary Sessions of the 19th Central Committee of the Party and continuously adhered to the development concept of "compliance, innovation, coordination and quality". With the "1226" development strategy as guidance, the inherent high-quality development as the theme and innovation as the driving force, the Bank practically strengthened the leadership of the Party and gradually deepened the reform of systems and mechanisms. It always practiced the corporate mission of creating value for

shareholders, wealth for customers, welfare for employees and contribution to society and adhered to the three services positioning of serving the local economy, private small and micro enterprises and urban and rural residents to support the development of the real economy. It maintained the development orientation of “rooted in Jinzhou, based in Liaoning, facing northeast China, expanding into Beijing, Tianjin and Hebei, and support the development of key national regions”. The Bank took differentiated and distinctive products and services as the two directions of its development strategy. Driven by technology and supported by talent development, the Bank took the path of inherent high quality development and insisted on “leading by party building and scientific governance” as the center, steadily promoted the six initiatives of “business transformation and structure optimization”, “building a solid foundation by legal compliance and risk control”, “revitalizing the Bank through technology empowerment”, “incentive protection and sustainable development”, “cost reduction and efficiency enhancement to improve management”, “leveraging on the momentum and shareholder empowerment” to achieve a steady and sustained trend of overall business operation.

## **4. ISSUANCE OF SECURITIES AND BONDS**

### **4.1 Bonds Issued**

Upon the approval of Former CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2,500 million on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank has redeemed such bonds wholly at the nominal amount on 27 December 2021.

Upon the approval of Former CBRC and PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB4,000 million on 26 March 2018. The bonds have a term of ten years and fixed coupon rate of 4.90% per annum. The Bank has an option to redeem such bonds wholly or partially at the nominal amount on 28 March 2023 upon the approval of relevant regulatory authorities.

### **4.2 Issuance of Interbank Certificates of Deposit**

As at the end of the Reporting Period, the Bank issued 52 interbank certificates of deposits (issued in the market which are not matured yet) in total with an aggregate balance of RMB31,150 million.

## **5. OTHER INFORMATION**

### **5.1 Corporate Governance Code**

The Bank has continuously improved its corporate governance system, gradually upgraded its corporate governance standards, and has adopted the relevant requirements on corporate governance as set out in the Corporate Governance Code and the Management Measures for Commercial Banks of the PRC and established its corresponding corporate governance system. The Bank has also established a full-time and independent Board, Board of Supervisors and senior management in accordance with relevant regulations. The members of the Board and the Board of Supervisors of the Bank, except for employee representative Supervisors, were all elected at the general meetings by Shareholders. The Bank will further improve the level of information disclosure, standardize investor relations management activities, and continuously improve transparency and governance.

During the Reporting Period, the Bank has fully complied with the provisions as set out in the Corporate Governance Code. The Board of Directors is not aware of any information indicating that the Bank has not complied with the provisions as set out in the Corporate Governance Code.

## **5.2 Securities Transactions by Directors and Supervisors**

The Bank has adopted, in respect of securities transactions by the Directors and Supervisors, a code of conduct on terms no less than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. After the Bank's specific enquiries to all Directors and Supervisors, each Director and Supervisor of the Bank has confirmed that he/she has complied with such code of conduct set forth above during the Reporting Period.

## **5.3 Profits and Dividend**

The Bank's revenue during the Reporting Period and the Bank's financial position as at the end of the Reporting Period are set out in the financial statements of this announcement. At the end of the Reporting Period, the reserves available for distribution to Shareholders of the Bank amounted to RMB2,583,431,000. The Board did not recommend to distribute any dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: nil).

## **5.4 Purchase, Sale and Redemption of Listed Securities or Redeemable Securities of the Bank**

Upon the approval of the Former CBRC and the PBOC, the Bank issued the tier-two capital bonds with write-down terms in an aggregate principal amount of RMB2.5 billion on 26 December 2016. The bonds have a term of ten years and fixed coupon rate of 4.30% per annum. The Bank had redeemed such bonds wholly at its nominal amount on 27 December 2021.

Save as otherwise disclosed in the results announcement, during the Reporting Period, neither the Bank nor any of its subsidiaries has further purchased, sold or redeemed any listed securities or redeemable securities of the Bank.

## **5.5 Review by Audit Committee**

At the end of the Reporting Period, the audit committee was comprised of five Directors, including Mr. Wang Xiongyuan (independent non-executive Director) serving as the chairman of the committee, and Ms. Ning Jie (non-executive Director), Ms. Gu Jihong (non-executive Director), Mr. Xiao Geng (independent non-executive Director) and Mr. Su Mingzheng (independent non-executive Director) serving as members of the committee. The audit committee of the Bank has reviewed the audited consolidated annual financial statements of the Bank for the year ended 31 December 2021.

## 6. FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	Notes	For the year ended	
		31 December 2021	2020
Interest income		<b>39,297,278</b>	37,344,545
Interest expense		<b>(27,249,528)</b>	(28,045,398)
<b>Net interest income</b>	4	<b><u>12,047,750</u></b>	<u>9,299,147</u>
Fee and commission income		<b>437,927</b>	243,753
Fee and commission expense		<b>(69,529)</b>	(69,063)
<b>Net fee and commission income</b>	5	<b><u>368,398</u></b>	<u>174,690</u>
Net trading gains/(losses)	6	<b>85,094</b>	(118,122)
Dividend income		<b>16,328</b>	1,440
Net gains arising from investment securities	7	<b>30,335</b>	1,721
Net foreign exchange gains/(losses)		<b>16,391</b>	(78,105)
Other net operating income		<b>3,508</b>	28,522
<b>Operating income</b>		<b>12,567,804</b>	9,309,293
<b>Operating expenses</b>	8	<b><u>(3,168,144)</u></b>	<u>(3,318,583)</u>
<b>Operating profit before impairment</b>		<b>9,399,660</b>	5,990,710
Impairment losses on assets	9	<b>(8,875,671)</b>	(5,662,563)
<b>Profit before tax</b>		<b>523,989</b>	328,147
Income tax expenses	10	<b>(421,650)</b>	(174,620)
<b>Profit for the year</b>		<b><u>102,339</u></b>	<u>153,527</u>
<b>Attributable to:</b>			
Equity shareholders of the Bank		<b>1,272,581</b>	404,569
Non-controlling interests		<b>(1,170,242)</b>	(251,042)
<b>Profit for the year</b>		<b><u>102,339</u></b>	<u>153,527</u>
Basic and diluted earnings/(losses) per share (in RMB)	11	<b><u>0.05</u></b>	<u>(0.02)</u>

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>For the year ended 31 December</b>	
	<b>2021</b>	2020
<b>Profit for the year</b>	<b>102,339</b>	153,527
<b>Other comprehensive income for the year:</b>		
Items that will be reclassified subsequently to profit or loss:		
– Debt instruments measured at fair value through other comprehensive income		
– Change in fair value	225,853	(114,542)
– Change in impairment provision	16,922	104,985
– Reclassified to profit or loss upon disposal	119,324	(3,384)
Items that will not subsequently be reclassified to profit or loss:		
– Remeasurement of defined benefit obligation	(8,112)	708
– Equity instruments at fair value through other comprehensive income		
– Change in fair value	(16,320)	123,619
Effect of related income tax	(83,750)	(6,448)
<b>Other comprehensive income for the year</b>	<b>253,917</b>	104,938
<b>Total comprehensive income for the year</b>	<b>356,256</b>	258,465
<b>Attributable to:</b>		
Equity shareholders of the Bank	1,526,498	509,507
Non-controlling interests	(1,170,242)	(251,042)
<b>Total comprehensive income for the year</b>	<b>356,256</b>	258,465

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in thousands of Renminbi  
unless otherwise stated)

	Notes	At 31 December	
		2021	2020
<b>Assets</b>			
Cash and deposits with the central bank		49,105,274	55,826,576
Deposits with banks and other financial institutions		10,359,233	4,748,291
Placements with banks and other financial institutions		5,547,196	6,062,898
Positive fair value of derivatives		101,179	117,633
Financial assets held under resale agreements		4,905,630	4,273,751
Loans and advances to customers		586,322,888	495,464,197
Financial assets at fair value through profit or loss	12	16,240,438	23,020,107
Financial assets at fair value through other comprehensive income	13	59,358,662	21,921,180
Financial assets measured at amortised cost	14	92,812,776	135,760,163
Finance lease receivables		2,515,169	3,248,825
Property and equipment		6,479,780	6,684,729
Deferred tax assets		11,295,566	11,743,169
Other assets		4,618,211	9,120,805
<b>Total assets</b>		<b>849,662,002</b>	<b>777,992,324</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowing from the central bank		1,438,896	105,816
Deposits from banks and other financial institutions		137,348,637	135,044,341
Placements from banks and other financial institutions		17,315,110	22,645,854
Financial liabilities at fair value through profit or loss		–	7,822
Negative fair value of derivatives		87,984	164,764
Financial assets sold under repurchase agreements		107,181,604	35,102,853
Deposits from customers		476,072,906	439,223,670
Accrued staff costs		394,529	369,510
Income taxes payable		57,785	31,719
Other tax payable		714,936	677,273
Debt securities payable		35,297,113	71,270,006
Provisions		351,801	410,284
Other liabilities		2,390,412	1,696,232
<b>Total liabilities</b>		<b>778,651,713</b>	<b>706,750,144</b>

*(Expressed in thousands of Renminbi  
unless otherwise stated)*

**At 31 December**  
**2021**                      **2020**

**Equity**

Share capital	<b>13,981,616</b>	13,981,616
Other equity instruments		
Including: offshore preference shares	<b>9,897,363</b>	9,897,363
Capital reserve	<b>26,736,512</b>	26,493,374
Surplus reserve	<b>3,241,844</b>	3,056,744
General reserve	<b>12,156,776</b>	11,800,217
Retained earnings	<b>2,583,431</b>	2,429,877

**Total equity attributable to equity  
shareholders of the Bank**

**68,597,542**                      67,659,191

Non-controlling interests

**2,412,747**                      3,582,989

**Total equity**

**71,010,289**                      71,242,180

**Total liabilities and equity**

**849,662,002**                      **777,992,324**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2021**

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Attributable to shareholders of the Bank						Subtotal	Non- controlling interests	Total equity
	Share Capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Retained earnings			
Balance at 1 January 2021	13,981,616	9,897,363	26,493,374	3,056,744	11,800,217	2,429,877	67,659,191	3,582,989	71,242,180
Changes in equity for the year:									
Profit for the year	-	-	-	-	-	1,272,581	1,272,581	(1,170,242)	102,339
Other comprehensive income	-	-	253,917	-	-	-	253,917	-	253,917
Total comprehensive income	-	-	253,917	-	-	1,272,581	1,526,498	(1,170,242)	356,256
Appropriation of profits									
– Withdrawal of surplus reserve	-	-	-	185,100	-	(185,100)	-	-	-
– Withdrawal of general reserve	-	-	-	-	356,559	(356,559)	-	-	-
– Appropriation to shareholders	-	-	-	-	-	(588,147)	(588,147)	-	(588,147)
Other comprehensive income carried forward to retained earnings	-	-	(10,779)	-	-	10,779	-	-	-
<b>Balance at 31 December 2021</b>	<b><u>13,981,616</u></b>	<b><u>9,897,363</u></b>	<b><u>26,736,512</u></b>	<b><u>3,241,844</u></b>	<b><u>12,156,776</u></b>	<b><u>2,583,431</u></b>	<b><u>68,597,542</u></b>	<b><u>2,412,747</u></b>	<b><u>71,010,289</u></b>
Balance at 1 January 2020	7,781,616	9,897,363	20,583,321	2,994,679	11,800,217	2,614,222	55,671,418	3,834,031	59,505,449
Changes in equity for the year:									
Profit for the year	-	-	-	-	-	404,569	404,569	(251,042)	153,527
Other comprehensive income	-	-	104,938	-	-	-	104,938	-	104,938
Total comprehensive income	-	-	104,938	-	-	404,569	509,507	(251,042)	258,465
Shareholders' investment and capital reduction									
– Shareholders' investment	6,200,000	-	5,890,000	-	-	-	12,090,000	-	12,090,000
Appropriation of profits									
– Withdrawal of surplus reserve	-	-	-	62,065	-	(62,065)	-	-	-
– Appropriation to shareholders	-	-	-	-	-	(611,734)	(611,734)	-	(611,734)
Other comprehensive income carried forward to retained earnings	-	-	(84,885)	-	-	84,885	-	-	-
<b>Balance at 31 December 2020</b>	<b><u>13,981,616</u></b>	<b><u>9,897,363</u></b>	<b><u>26,493,374</u></b>	<b><u>3,056,744</u></b>	<b><u>11,800,217</u></b>	<b><u>2,429,877</u></b>	<b><u>67,659,191</u></b>	<b><u>3,582,989</u></b>	<b><u>71,242,180</u></b>

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	For the year ended	
	31 December 2021	2020
<b>Cash flows from operating activities</b>		
Profit for the years	102,339	153,527
Adjustments for:		
Impairment losses on assets	8,875,671	5,662,563
Depreciation and amortisation	503,538	560,545
Interest expense on lease liabilities	12,044	13,741
Dividend income	(16,328)	(1,440)
Unrealised foreign exchange gains	(20,310)	(74,639)
Net losses on derivative financial instruments	64,707	28,820
Net gains arising from investment securities	(30,335)	(1,721)
Net (gains)/losses on disposal of trading securities	(149,688)	247,722
Revaluation gains on financial instruments at fair value through profit or loss	(113)	(158,419)
Interest expense on debts securities payable	1,730,944	4,472,319
Net losses on disposal of property and equipment and other long term assets	41,669	3,210
Income tax expenses	421,650	174,620
Subtotal	<u>11,535,788</u>	<u>11,080,848</u>
Changes in operating assets		
Net decrease/(increase) in deposits with the central bank, banks and other financial institutions	8,113,448	(230,968)
Net increase in loans and advances to customers	(51,446,154)	(88,886,976)
Net (increase)/decrease in finance lease receivables	(827,608)	2,803,885
Net increase in other operating assets	(13,459,656)	(15,319,074)
Subtotal	<u>(57,619,970)</u>	<u>(101,633,133)</u>

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
Changes in operating liabilities		
Net increase/(decrease) in borrowing from central bank	<b>1,332,444</b>	(32,934,750)
Net increase in deposits with banks and other financial institutions	<b>2,600,898</b>	1,965,622
Net decrease in placements from banks and other financial institutions	<b>(5,276,356)</b>	(5,003,084)
Net increase in financial assets sold under repurchase agreements	<b>71,974,799</b>	24,934,659
Net increase in deposits from customers	<b>36,130,027</b>	33,047,399
Income tax paid	<b>(31,731)</b>	(1,673,411)
Net increase/(decrease) in other operating liabilities	<b>1,359,997</b>	(269,243)
Subtotal	<b>108,090,078</b>	20,067,192
<b>Net cash flows generated from/(used in) operating activities</b>	<b>62,005,896</b>	(70,485,093)
<b>Cash flows from investing activities</b>		
Proceeds from disposal and redemption of investments	<b>54,749,002</b>	156,030,173
Cash dividend received	<b>16,328</b>	1,440
Proceeds from disposal of property and equipment and other assets	<b>48,310</b>	13,735
Payments on acquisition of investments	<b>(70,478,039)</b>	(102,069,762)
Payments on acquisition of property and equipment, intangible assets and other assets	<b>(227,165)</b>	(154,384)
<b>Net cash flows (used in)/generated from investing activities</b>	<b>(15,891,564)</b>	53,821,202

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from financing activities</b>		
Proceeds from capital contribution by equity shareholders	–	12,090,000
Proceeds from issue of debt securities	<b>116,039,663</b>	252,377,369
Repayment of debts securities issued	<b>(153,440,000)</b>	(295,340,000)
Interest paid on debts securities issued	<b>(303,500)</b>	(348,519)
Dividend paid	<b>(639,731)</b>	(623,341)
Payment of lease liabilities	<b>(110,390)</b>	(105,384)
<b>Net cash flows used in financing activities</b>	<b><u>(38,453,958)</u></b>	<b><u>(31,949,875)</u></b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>	<b><u>(24,011)</u></b>	<b><u>(79,351)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,636,363</b>	(48,693,117)
<b>Cash and cash equivalents as at 1 January</b>	<b><u>18,841,770</u></b>	<b><u>67,534,887</u></b>
<b>Cash and cash equivalents as at 31 December</b>	<b><u>26,478,133</u></b>	<b><u>18,841,770</u></b>
Interest received	<b><u>24,122,276</u></b>	<b><u>26,392,527</u></b>
Interest paid (excluding interest expense on debts securities issued)	<b><u>(25,045,777)</u></b>	<b><u>(24,323,795)</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 1. BACKGROUND INFORMATION

Bank of Jinzhou Co., Ltd. (the “**Bank**”) was established on 22 January 1997 with approval of the People’s Bank of China (“**PBOC**”) (Yin Fu [1997] No.29).

The Bank obtained its finance permit No. B0127H221070001 from the China Banking Regulatory Commission (the (“**CBRC**”), which was renamed as China Banking and Insurance Regulatory Commission (“**CBIRC**”) on 8 April 2018). The Bank obtained its business license with unified social credit code No. 912107002426682145 from the State Administration for Industry and Commerce of the PRC. The legal representative is Wei Xuekun and the address of the registered office is No. 68 Keji Road, Jinzhou City, Liaoning Province, the People’s Republic of China.

In December 2015, the Bank’s H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 0416). As of 31 December 2021, the share capital of the Bank is RMB13,982 million.

The principal activities of the Bank and its subsidiaries (collectively referred to as the “**Group**”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, finance leasing as well as other banking services as approved by the CBIRC. The Group operates in Mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administrative Region of the PRC (“**Hong Kong**”), the Macau Special Administrative Region of the PRC (“**Macau**”) and Taiwan. As of 31 December 2021, the Bank has 15 branches in Jinzhou, Beijing, Tianjin, Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi and Yingkou.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (the “**IFRSs**”) and related interpretations, issued by the International Accounting Standards Board (the “**IASB**”), as well as with the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Listing Rules.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 2(b) provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in the consolidated financial statements.

The consolidated financial statements for the year ended 31 December 2021 comprise the Bank and its subsidiaries.

Unless stated otherwise, the financial statements are presented in Renminbi (“RMB”), rounded to the nearest thousand, which is the functional currency of the Bank.

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 for making judgements on the 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 recognized in the year in which the estimate is revised if the revision affects both current and future years.

Judgments that have a significant effect on the financial statements and estimates with a significant risk of material adjustments in the subsequent period are discussed in Note 3.

The measurement basis used in the preparation of the financial statements is historical cost basis, with the exception of certain financial assets and financial liabilities, which are measured at fair value.

**(b) Application of new and amendments to International Financial Reporting Standards**

Amendment to IFRS 16	COVID-19-related rent concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform – phase 2

In addition, the Group has early adopted the amendments to IFRS 16 on COVID-19-related rent concessions. The application of the new and revised IFRSs in the current year has had no material impact on the Group’s financial position and performance for the current and prior years and/or disclosures set out in these consolidated financial statements.

### **3. Significant accounting estimates and judgments**

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

#### **(a) Measurement of the expected credit loss allowance**

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts issued, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses).

#### **(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 maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

#### **(c) Income taxes**

Determining income tax provisions involves judgment 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 tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment 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 (or the asset group) can not be obtained reliably, the fair value of the asset can not be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's selling price, related operating income and 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 related operating income and expenses based on reasonable and supportable assumption.

**(e) Depreciation and amortisation**

Property and equipment, intangible assets and right-of-use 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 the Reporting Period. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

**(f) Determination of control over investees**

Management applies its judgment to determine whether the control indicators indicate that the Group controls a non-principal guaranteed wealth management product and an asset management plan.

The Group acts as manager to a number of non-principal guaranteed wealth management products and asset management plans. 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 interests and expected management fees) and the decision-making authority of the entity. For all these structured entities managed by the Group, the Group's aggregate economic interest 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.

**(g) Defined benefit plan**

The Group has established liabilities in connection with supplementary retirement benefits and other long-term benefits. The amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, mortality rates, demission rates and other factors. Management has made significant estimates when made these assumptions. The changes in assumptions may affect the Group's expenses related to its employee defined benefit obligations.

#### 4. NET INTEREST INCOME

*(Expressed in thousands of Renminbi,  
unless otherwise stated)*

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
<b>Interest income arising from</b>		
Deposits with the central bank	765,047	704,814
Deposits with banks and other financial institutions	22,464	127,585
Placements with banks and other financial institutions	383,682	277,582
Loans and advances to customers		
– Corporate loans and advances	31,348,196	26,344,475
– Personal loans	485,806	417,313
– Discounted bills	977,378	251,795
Financial assets held under resale agreements	25,238	134,629
Financial assets at fair value through other comprehensive income	1,086,457	506,964
Financial assets measured at amortised cost	4,179,835	8,262,111
Finance lease receivables	23,175	317,277
	<u>39,297,278</u>	<u>37,344,545</u>
Subtotal		
<b>Interest expense arising from</b>		
Borrowing from the central bank	12,922	23,891
Deposits from banks and other financial institutions	5,932,713	7,771,528
Placements from banks and other financial institutions	806,802	469,524
Deposits from customers		
– Corporate customers	2,609,879	1,818,985
– Individual customers	14,664,865	13,085,537
Financial assets sold under repurchase agreements	1,491,403	403,614
Debt securities issued	1,730,944	4,472,319
	<u>27,249,528</u>	<u>28,045,398</u>
Subtotal		
Net interest income	<u><u>12,047,750</u></u>	<u><u>9,299,147</u></u>

## 5. NET FEE AND COMMISSION INCOME

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	2020
<b>Fee and commission income</b>		
Agency services fees	<b>58,349</b>	18,309
Settlement and clearing fees	<b>52,524</b>	56,341
Wealth management service fees	<b>184,371</b>	129,090
Underwriting and advisory fees	<b>58,545</b>	19,209
Bank card service fees	<b>37,000</b>	13,922
Others	<b>47,138</b>	6,882
	<hr/>	<hr/>
Subtotal	<b>437,927</b>	243,753
	<hr/>	<hr/>
<b>Fee and commission expenses</b>		
Settlement and clearing fees	<b>13,101</b>	34,546
Others	<b>56,428</b>	34,517
	<hr/>	<hr/>
Subtotal	<b>69,529</b>	69,063
	<hr/>	<hr/>
Net fee and commission income	<b>368,398</b>	174,690
	<hr/> <hr/>	<hr/> <hr/>

## 6. NET TRADING GAINS/(LOSSES)

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>For the year ended</b>	
	<b>31 December</b>	<b>2020</b>
	<b>2021</b>	
Trading financial instruments		
– Debt securities issued	<b>149,688</b>	(247,722)
– Derivative financial instruments	<b>(64,708)</b>	(28,820)
– Precious metals	<b>1</b>	1
	<hr/>	<hr/>
Subtotal	<b>84,981</b>	(276,541)
	<hr/>	<hr/>
Financial instruments designated at fair value through profit or loss	<b>113</b>	158,419
	<hr/>	<hr/>
Total	<b>85,094</b>	(118,122)
	<hr/> <hr/>	<hr/> <hr/>

The above amounts mainly include gains and losses arising from the purchase and sale of, interest income and changes in the fair value of financial assets and liabilities at fair value through profit or loss and derivative financial instruments.

## 7. NET GAINS ARISING FROM INVESTMENT SECURITIES

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>For the year ended</b>	
	<b>31 December</b>	<b>2020</b>
	<b>2021</b>	
Net revaluation (losses)/gains arising from reclassification from other comprehensive income to profit or loss on disposal	<b>(119,324)</b>	3,384
Net revaluation gains/(losses) from financial assets at fair value through other comprehensive income on disposal	<b>149,829</b>	(1,582)
Net losses on disposal of financial assets measured at amortised cost	<b>(170)</b>	(81)
	<hr/>	<hr/>
Total	<b>30,335</b>	1,721
	<hr/> <hr/>	<hr/> <hr/>

## 8. OPERATING EXPENSES

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>For the year ended 31 December</b>	
	<b>2021</b>	2020
Staff costs		
– Salaries and bonuses	<b>1,149,806</b>	1,140,689
– Social insurance	<b>219,688</b>	106,324
– Housing allowances	<b>122,249</b>	119,959
– Staff welfares	<b>57,624</b>	61,328
– Supplementary retirement benefits	<b>4,206</b>	24,391
– Other long-term staff welfares	<b>16,225</b>	16,199
– Others	<b>45,854</b>	45,702
	<hr/>	<hr/>
Subtotal	<b>1,615,652</b>	1,514,592
	<hr/>	<hr/>
Premises and equipment expenses		
– Depreciation of property and equipment	<b>344,444</b>	362,346
– Depreciation of right-of-use assets	<b>104,387</b>	143,651
– Rental and property management expenses	<b>3,755</b>	6,415
– Amortisation of other long-term assets	<b>2,267</b>	2,789
– Amortisation of intangible assets	<b>52,440</b>	51,759
	<hr/>	<hr/>
Subtotal	<b>507,293</b>	566,960
	<hr/>	<hr/>
Tax and surcharges	<b>317,729</b>	307,338
Interest expense on lease liabilities	<b>12,044</b>	13,741
Other general and administrative expenses (Note)	<b>715,426</b>	915,952
	<hr/>	<hr/>
Total	<b>3,168,144</b>	3,318,583
	<hr/> <hr/>	<hr/> <hr/>

Note: Audit expense for the year ended 31 December 2021 was RMB4.4 million (2020: RMB4 million).

## 9. IMPAIRMENT LOSSES ON ASSETS

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
Loans and advances to customers		
– ECL over the next 12 months	<b>(2,033,247)</b>	855,369
– Lifetime ECL-not credit-impaired loans	<b>3,666,726</b>	1,890,762
– Lifetime ECL-credit-impaired loans	<b>5,006,298</b>	2,944,698
	<u>6,639,777</u>	<u>5,690,829</u>
Subtotal		
Deposits and placements with banks and other financial institutions	<b>852,865</b>	(110,757)
Financial assets at fair value through other comprehensive income	<b>16,922</b>	104,985
Financial assets measured at amortised cost	<b>(257,994)</b>	(510,109)
Finance lease receivables	<b>1,561,264</b>	428,219
Credit commitments	<b>(56,235)</b>	(203,029)
Others	<b>119,072</b>	262,425
	<u>8,875,671</u>	<u>5,662,563</u>
Total		

## 10. INCOME TAX EXPENSES

### *(a) Income tax expenses:*

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>
Current income tax	<b>57,797</b>	82,652
Deferred income tax	<b>363,853</b>	91,968
	<u>421,650</u>	<u>174,620</u>
Total		

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

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>For the year ended</b>	
	<b>31 December 2021</b>	<b>2020</b>
Profit before tax	<u>523,989</u>	<u>328,147</u>
Statutory tax rate	25%	25%
Income tax calculated at statutory tax rate	<b>130,997</b>	82,037
Non-deductible expenses		
– Staff costs	294	8
– Others	<u>34,778</u>	<u>82,049</u>
Subtotal	<u>35,072</u>	<u>82,057</u>
Non-taxable income		
– Interest income from the PRC government bonds	(21,349)	(16,227)
– Others	(26,686)	(15,374)
Effect of deductible temporary differences or deductible losses on unrecognized deferred income tax assets	349,494	27,586
Effect of income taxes in respect of previous periods	<u>(45,878)</u>	<u>14,541</u>
Total	<u><b>421,650</b></u>	<u>174,620</u>

**11. BASIC AND DILUTED EARNINGS/(LOSSES) PER SHARE**

<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>	<b>For the year ended</b>	
	<b>31 December 2021</b>	<b>2020</b>
Net profit attributable to equity shareholders of the Bank	<b>1,272,581</b>	404,569
Less: Net profit attributable to other equity holders of the Bank	<u>(588,147)</u>	<u>(611,734)</u>
Net gains/(loss) attributable to equity shareholders of the Bank	<u><b>684,434</b></u>	<u>(207,165)</u>
Weighted average number of ordinary shares (in thousands)	<u><b>13,981,616</b></u>	<u>9,718,054</u>
Basic and diluted earnings/(losses) per share attributable to equity shareholders of the Bank (in RMB)	<u><b>0.05</b></u>	<u>(0.02)</u>

The Bank issued non-cumulative preference shares on 27 October 2017. In calculating basic earnings per ordinary share, the non-cumulative preferred dividends declared for the period should be deducted from net profit attributable to ordinary equity holders of the Bank. The conversion feature of preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur for the year ended 31 December 2021 and 2020 and therefore the conversion feature of preference shares has no effect on the calculation of basic and diluted earnings/(losses) per share.

There is no difference between basic and diluted earnings/(losses) per share as there were no potentially dilutive shares outstanding during the relevant years.

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		<b>At 31 December</b>	
<i>(Expressed in thousands of Renminbi unless otherwise stated)</i>		<b>2021</b>	<b>2020</b>
	<i>Notes</i>		
Debt instruments held for trading	(a)	<b>4,303,007</b>	5,072,766
Beneficial interest transfer plans	(b)	<b>11,368,045</b>	17,173,518
Asset-backed securities		<b>165,473</b>	154,025
Balance with a bank		<b>403,913</b>	411,548
Wealth management products		–	200,226
		<hr/>	<hr/>
Subtotal		<b>16,240,438</b>	23,012,083
Financial assets designated at fair value through profit or loss	(c)	–	8,024
		<hr/>	<hr/>
Total		<b><u>16,240,438</u></b>	<b><u>23,020,107</u></b>

Notes:

**(a) Debt instruments held for trading**

*(Expressed in thousands of Renminbi  
unless otherwise stated)*

	<b>At 31 December</b>	
	<b>2021</b>	<b>2020</b>
Debt securities issued by institutions in Mainland China		
– Banks and other financial institutions	<b>2,176,019</b>	2,896,004
Debt securities issued by institutions outside Mainland China		
– Banks and other financial institutions	<b>2,126,988</b>	2,176,762
Total	<b><u>4,303,007</u></b>	<u>5,072,766</u>
Listed	<b>2,176,019</b>	2,896,004
Unlisted	<b>2,126,988</b>	2,176,762
Total	<b><u>4,303,007</u></b>	<u>5,072,766</u>

As at 31 December 2021 and 2020, some of the debt instruments held for trading are used for the pledge of the repurchase agreements.

**(b) Beneficial interest transfer plans**

Beneficial interest transfer plans are mainly beneficial interests issued by trust companies, securities companies, insurance companies and asset management companies.

**(c) Financial assets designated at fair value through profit or loss**

Financial assets designated at fair value through profit or loss represented debt investments offered by the Group from principal-guaranteed wealth management programs managed and measured at fair value. The Group accounts for the corresponding investment funds of the above assets under financial liabilities designated at fair value through profit or loss. In 2021, the gains from movements on fair value of these investments was RMB nil (2020: gains from movements on fair value was RMB0.37 million).

### 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

*(Expressed in thousands of Renminbi,  
unless otherwise stated)*

	At 31 December	
	2021	2020
Debt securities issued in Mainland China		
– Government	3,513,882	3,456,145
– Banks and other financial institutions	52,318,404	15,637,452
– Corporations	511,101	773,419
	<u>56,343,387</u>	<u>19,867,016</u>
Subtotal		
	<u>56,343,387</u>	<u>19,867,016</u>
Debt securities issued by the following institutions outside Mainland China		
– Banks and other financial institutions	6,368	–
	<u>6,368</u>	<u>–</u>
Certificate of deposit	804,376	487,638
Equity investments		
– Listed	141,005	171,762
– Unlisted	1,187,683	1,150,418
Add: Interests receivable	875,843	244,346
	<u>875,843</u>	<u>244,346</u>
Total	<u>59,358,662</u>	<u>21,921,180</u>

The Group designates the investments listed in the table below as equity instruments at fair value through other comprehensive income. Details are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>As at 31 December 2021</b>	<b>Dividend income recognized for the year ended 31 December 2021</b>	<b>As at 31 December 2020</b>	<b>Dividend income recognized for the year ended 31 December 2020</b>
China UnionPay Co., Ltd.* 中國銀聯股份有限公司	<b>8,000</b>	<b>2,080</b>	8,000	1,440
Service Centre for City Commercial Banks* 城銀服務中心	<b>250</b>	–	250	–
Bank Of Liaoyang Co., Ltd.* 遼陽銀行股份有限公司	–	–	64,182	–
Yingkou Port Group Co., Ltd.* 營口港務集團有限公司	<b>494,415</b>	–	494,415	–
Northern Heavy Industries Group Co., Ltd.* 北方重工集團有限公司	<b>266,659</b>	–	266,659	–
Tianjin Wuchan No.13 Enterprise Management Partnership (Limited Partnership)* 天津物產十三號企業管理 合夥企業(有限合夥)	<b>95,579</b>	–	–	–
Bohai Steel Group Co., Ltd.* 天津渤鋼三號企業管理 合夥企業(有限合夥)	<b>316,912</b>	<b>14,248</b>	316,912	–
Liaoning Yuexiu Huishan Holding Co., Ltd.* 遼寧越秀輝山控股股份 有限公司	<b>5,868</b>	–	–	–
<b>Total</b>	<b><u>1,187,683</u></b>	<b><u>16,328</u></b>	<u>1,150,418</u>	<u>1,440</u>
Unlisted	<b><u>1,187,683</u></b>	<b><u>16,328</u></b>	<u>1,150,418</u>	<u>1,440</u>
<b>Total</b>	<b><u><u>1,187,683</u></u></b>	<b><u><u>16,328</u></u></b>	<u><u>1,150,418</u></u>	<u><u>1,440</u></u>

As at 31 December 2021 and 2020, some of the debt securities and certificates of deposit issued by governments, banks and other financial institutions in the PRC are used for the pledge of repurchase agreements.

\* *English name for identification purpose only*

The movements of impairment provision for financial assets at fair value through other comprehensive income during the year are as follows:

<b>For the year ended 31 December 2021</b>				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>ECL over the next 12 months</b>	<b>Lifetime ECL-not credit-impaired</b>	<b>Lifetime ECL-credit-impaired</b>	<b>Total</b>
As at 1 January	(4,669)	(101,571)	-	(106,240)
Transferred:				
– to lifetime ECL- credit-impaired loans	-	101,571	(101,571)	-
Net (charge)/release for the year	<u>886</u>	<u>-</u>	<u>(4,669)</u>	<u>(3,783)</u>
As at 31 December	<u>(3,783)</u>	<u>-</u>	<u>(106,240)</u>	<u>(110,023)</u>
<b>For the year ended 31 December 2020</b>				
<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>ECL over the next 12 months</b>	<b>Lifetime ECL-not credit-impaired</b>	<b>Lifetime ECL-credit-impaired</b>	<b>Total</b>
As at 1 January	(2,192)	-	-	(2,192)
Transferred:				
– to lifetime ECL- not credit-impaired loans	426	(426)	-	-
Net charge for the year	<u>(2,903)</u>	<u>(101,145)</u>	<u>-</u>	<u>(104,048)</u>
As at 31 December	<u>(4,669)</u>	<u>(101,571)</u>	<u>-</u>	<u>(106,240)</u>

*Notes:*

- (a) Provision for impairment of financial investments of at fair value through other comprehensive income is recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the consolidated statement of financial position is not reduced.
- (b) As at 31 December 2021, the debt instruments with a principal amount of RMB200 million in the Stage 2 have been transferred to the Stage 3. The remaining debt instruments are in the Stage 1 (as at 31 December 2020, the debt instruments with a principal amount of RMB200 million in the Stage 1 have been transferred to the Stage 2 and the remaining debt instruments were in Stage 1).

- (c) The Group designates non-trading equity investments as at financial assets at fair value through other comprehensive income. As at 31 December 2021, the amount for these non-trading equity investments was RMB1,328.69 million (2020: RMB1,322.18 million). For the year ended 31 December 2021, the dividend income from these non-trading equity investments amounted to RMB16.33 million (2020: RMB1.44 million) and was included in profit or loss. During the year ended 31 December 2021, the Group disposed of its non-trading equity investments and the cumulative gain transferred from other comprehensive income to retained earnings amounted to RMB10.78 million (2020: RMB84.89 million). The fair value loss on these investments were RMB27.10 million during the year ended 31 December 2021 (2020: fair value gain of RMB38.73 million).

#### 14. FINANCIAL ASSETS MEASURED AT AMORTISED COST

*(Expressed in thousands of Renminbi,  
unless otherwise stated)*

	<b>At 31 December</b>	
	<b>2021</b>	<b>2020</b>
Debt securities issued by the following institutions in Mainland China		
– Government	<b>1,679,982</b>	1,980,683
– Banks and other financial institutions	<b>3,806,268</b>	501,107
– Corporations	<b>71,487,300</b>	75,280,626
	<u><b>76,973,550</b></u>	<u>77,762,416</u>
Subtotal		
	<u><b>76,973,550</b></u>	<u>77,762,416</u>
Debt securities issued by the following institutions outside Mainland China		
– Corporations	<b>1,593,925</b>	1,850,599
	<u><b>1,593,925</b></u>	<u>1,850,599</u>
Beneficial interest transfer plans	<b>14,666,380</b>	54,575,270
	<u><b>14,666,380</b></u>	<u>54,575,270</u>
Add: Interests receivable	<b>4,306,640</b>	6,557,809
Less: Provision for impairment losses	<b>(4,727,719)</b>	(4,985,931)
	<u><b>(4,727,719)</b></u>	<u>(4,985,931)</u>
Total	<u><b>92,812,776</b></u>	<u>135,760,163</u>

As at 31 December 2021 and 2020, some of investments in certain debt securities issued by the Government, banks and other financial institutions in Mainland China are used for the pledge of transactions under the repurchase agreements.

The movements of provision of impairment loss for financial assets at amortised cost are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December 2021			Total
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	
As at 1 January	(839,479)	(219,852)	(3,926,600)	(4,985,931)
Net release/(charge) for the year	589,789	212,005	(543,800)	257,994
Net written-off for the year	218	–	–	218
As at 31 December	<u>(249,472)</u>	<u>(7,847)</u>	<u>(4,470,400)</u>	<u>(4,727,719)</u>

  

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December 2020			Total
	ECL over the next 12 months	Lifetime ECL-not credit-impaired	Lifetime ECL-credit-impaired	
As at 1 January	(3,149,459)	(4,734,250)	(1,349,188)	(9,232,897)
Transferred				
– to ECL over the next 12 months	(701,184)	701,184	–	–
– to lifetime ECL				
– not credit-impaired	41,543	(41,543)	–	–
– to lifetime ECL				
– credit-impaired	41,390	374,252	(415,642)	–
Net release/(charge) for the year	2,524,669	1,641,001	(3,655,561)	510,109
Net written-off for the year	403,562	1,839,504	1,493,791	3,736,857
As at 31 December	<u>(839,479)</u>	<u>(219,852)</u>	<u>(3,926,600)</u>	<u>(4,985,931)</u>

*Notes:*

- (a) In the year of 2021, financial assets measured at amortised cost were not transferred.
- (b) In the year of 2020, the Group adjusted the five-tier classification and customer rating of financial assets measured at amortised cost, and the financial assets measured at amortised cost from lifetime ECL-not credit-impaired was transferred to ECL over the next 12 months of RMB5,898 million. The financial assets measured at amortised cost from ECL over the next 12 months to lifetime ECL-not credit-impaired was RMB1,743 million. The financial assets measured at amortised cost from ECL over the next 12 months and lifetime ECL-not credit-impaired to lifetime ECL-credit-impaired was RMB9,127 million.
- (c) The ECL movement was caused by origination or purchase as well as changes in PD, LGD and EAD and stages as a result of regular update of parameters.

## 15. APPROPRIATION OF PROFITS

(a) In accordance with the resolution of the Bank's Board of Directors meeting on 31 March 2022, the proposed profit appropriations for the year ended 31 December 2021 is listed as follows:

- Withdrawal of legal surplus reserve amounted to RMB185 million.
- Withdrawal of general provision amounted to RMB357 million.
- The Board resolved not to declare any dividend for 2021.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

(b) In accordance with the resolution of the Bank's Board of Directors meeting on 29 September 2021, the Bank's offshore proposed profit appropriations as at 27 October 2021 is listed as follows:

- Declaration of preference share dividend to holders of offshore preference shares of USD91 million, approximately RMB588 million.

(c) In accordance with the resolution of the Bank's Board of Directors meeting on 28 May 2021, the proposed profit appropriations for the year ended 31 December 2020 is listed as follows:

- Withdrawal of legal surplus reserve amounted to RMB62.07 million.
- The general provision balance has exceeded 1.5% of the ending balance of the risk assets and no general provision is withdrawn.
- The Board resolved not to declare any dividend for 2020.

(d) As the resolution was approved at the Bank's Board of Directors meeting on 20 August 2020, the Bank's offshore preference shares distribution plan, which was distributed on 27 October 2020, is listed as follows:

- Declaration of preference share dividend to holders of offshore preference shares of USD91 million, approximately RMB611 million.

## 16. SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Interest income and expenses earned from third parties are referred to as “External net interest income/expense”. Net interest income and expenses arising from internal charges and transfer pricing adjustments are referred to as “Internal net interest income/expense”.

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 reportable segments based on the following operating segments:

### **Corporate banking business**

Corporate banking business covers the provision of financial products and services to corporate customers. The products and services include deposits, loans, settlement and clearing and other products and services relating to the trading business.

### **Retail banking business**

Retail banking business covers the provision of financial products and services to retail customers. The products and services include deposits, bank cards and credit cards services, personal loans and collateral loans, and personal wealth management services.

### **Treasury business**

Treasury business covers money market placements, investments and repurchasing, foreign exchange transactions for the Group’s own accounts or on behalf of customers.

### **Other business**

This represents business other than corporate banking business, retail banking business and treasury business, whose assets, liabilities, income and expenses are not directly attributable or cannot be allocated to a segment on a reasonable basis.

The transfer prices among segments are determined by the capital sources and due time which should match with the level of lending and deposit rates and interbank market rates announced by the PBOC. Expenses are distributed.

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. Segment income, expenses, assets and liabilities are determined before intra-group balances, and intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire property and equipment, intangible assets and other long-term assets.

**(a) Segment profit/(loss), assets and liabilities**

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	For the year ended 31 December 2021				Total
	Corporate banking business	Retail banking business	Treasury business	Other business and undistributed project	
Operating income					
External net interest income/ (expense)	23,722,949	(14,166,557)	2,491,358	–	12,047,750
Internal net interest (expense)/income	<u>(14,815,265)</u>	<u>15,103,673</u>	<u>(288,408)</u>	<u>–</u>	<u>–</u>
Net interest income	8,907,684	937,116	2,202,950	–	12,047,750
Net fee and commission income	119,555	218,989	29,854	–	368,398
Net trading gains	–	–	85,094	–	85,094
Dividend income	–	–	16,328	–	16,328
Net gains arising from investment securities	–	–	30,335	–	30,335
Foreign exchange gains	–	–	16,391	–	16,391
Other net operating income	<u>3,354</u>	<u>–</u>	<u>–</u>	<u>154</u>	<u>3,508</u>
Total operating income	9,030,593	1,156,105	2,380,952	154	12,567,804
Operating expenses	<u>(1,382,096)</u>	<u>(1,115,046)</u>	<u>(668,118)</u>	<u>(2,884)</u>	<u>(3,168,144)</u>
Operating profit/(loss) before impairment	7,648,497	41,059	1,712,834	(2,730)	9,399,660
Impairment losses on assets	<u>(8,019,942)</u>	<u>(194,238)</u>	<u>(598,654)</u>	<u>(62,837)</u>	<u>(8,875,671)</u>
Segment profit/(loss) before tax	<u>(371,445)</u>	<u>(153,179)</u>	<u>1,114,180</u>	<u>(65,567)</u>	<u>523,989</u>
Segment assets	579,507,451	9,330,606	237,763,776	11,764,603	838,366,436
Deferred income tax assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>11,295,566</u>	<u>11,295,566</u>
Total assets	<u>579,507,451</u>	<u>9,330,606</u>	<u>237,763,776</u>	<u>23,060,169</u>	<u>849,662,002</u>
Segment liabilities	94,900,669	382,190,324	298,669,417	2,608,495	778,368,905
Dividend payable	<u>–</u>	<u>–</u>	<u>–</u>	<u>282,808</u>	<u>282,808</u>
Total liabilities	<u>94,900,669</u>	<u>382,190,324</u>	<u>298,669,417</u>	<u>2,891,303</u>	<u>778,651,713</u>
Other segment information					
– Depreciation and amortisation	(210,047)	(121,940)	(167,074)	(4,477)	(503,538)
– Capital expenditure	94,086	54,621	74,837	3,621	227,165

For the year ended 31 December 2020

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	Corporate banking business	Retail banking business	Treasury business	Other business and undistributed project	Total
Operating income					
External net interest income/ (expense)	21,822,591	(12,607,575)	84,131	–	9,299,147
Internal net interest (expense)/income	<u>(10,770,233)</u>	<u>13,199,922</u>	<u>(2,429,689)</u>	<u>–</u>	<u>–</u>
Net interest income/(expense)	11,052,358	592,347	(2,345,558)	–	9,299,147
Net fee and commission income/ (expense)	35,650	142,306	(3,266)	–	174,690
Net trading losses	–	–	(118,122)	–	(118,122)
Dividend income	–	–	1,440	–	1,440
Net gains arising from investment securities	–	–	1,721	–	1,721
Foreign exchange losses	–	–	(78,105)	–	(78,105)
Other net operating income	<u>1,326</u>	<u>–</u>	<u>694</u>	<u>26,502</u>	<u>28,522</u>
Total operating income	11,089,334	734,653	(2,541,196)	26,502	9,309,293
Operating expenses	<u>(1,139,353)</u>	<u>(1,099,624)</u>	<u>(833,942)</u>	<u>(245,664)</u>	<u>(3,318,583)</u>
Operating profit/(loss) before impairment	9,949,981	(364,971)	(3,375,138)	(219,162)	5,990,710
Impairment losses on assets	<u>(2,827,238)</u>	<u>(163,537)</u>	<u>(2,651,335)</u>	<u>(20,453)</u>	<u>(5,662,563)</u>
Segment profit/(loss) before tax	<u>7,122,743</u>	<u>(528,508)</u>	<u>(6,026,473)</u>	<u>(239,615)</u>	<u>328,147</u>
Segment assets	490,177,622	8,535,400	250,993,313	16,542,820	766,249,155
Deferred income tax assets	<u>–</u>	<u>–</u>	<u>–</u>	<u>11,743,169</u>	<u>11,743,169</u>
Total assets	<u>490,177,622</u>	<u>8,535,400</u>	<u>250,993,313</u>	<u>28,285,989</u>	<u>777,992,324</u>
Segment liabilities	102,233,121	336,900,917	264,318,333	2,963,381	706,415,752
Dividend payable	<u>–</u>	<u>–</u>	<u>–</u>	<u>334,392</u>	<u>334,392</u>
Total liabilities	<u>102,233,121</u>	<u>336,900,917</u>	<u>264,318,333</u>	<u>3,297,773</u>	<u>706,750,144</u>
Other segment information					
– Depreciation and amortisation	(225,685)	(128,917)	(196,635)	(9,308)	(560,545)
– Capital expenditure	63,722	36,578	51,477	2,607	154,384

**(b) Geographical information**

The Group operates principally in Jinzhou Region, Other Northeastern China Region and Northern China Region.

Non-current assets include property and equipment, intangible assets and right-of-use assets. In presenting of geographical information, non-current assets are allocated based on geographical location of the underlying assets. Operating income is allocated based on the locations of the subsidiaries and the branches which generate income.

The distribution of the geographical areas is as follows:

- “Jinzhou Region” including headquarters of the Bank of Jinzhou, Jinzhou branch and the five subsidiaries of the Group.
- “Other Northeastern China Region” including the following areas serviced by branches of the Bank: Shenyang, Dalian, Harbin, Dandong, Fushun, Anshan, Chaoyang, Fuxin, Liaoyang, Huludao, Benxi, Yingkou and the three subsidiaries of the Group.
- “Northern China Region” including the following areas serviced by branches of the Bank: Beijing and Tianjin.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>Operating Income For the year ended 31 December</b>	
	<b>2021</b>	<b>2020</b>
Jinzhou Region	<b>8,858,198</b>	4,723,860
Other Northeastern China Region	<b>2,516,103</b>	3,240,386
Northern China Region	<b>1,193,503</b>	1,345,047
Total	<b><u>12,567,804</u></b>	<b><u>9,309,293</u></b>

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>Non-current Assets At 31 December</b>	
	<b>2021</b>	<b>2020</b>
Jinzhou Region	<b>2,996,335</b>	3,472,817
Other Northeastern China Region	<b>3,397,117</b>	3,282,721
Northern China Region	<b>638,011</b>	627,542
Total	<b><u>7,031,463</u></b>	<b><u>7,383,080</u></b>

## 17. COMMITMENTS AND CONTINGENT LIABILITIES

### (a) Credit commitments

The Group's credit commitments mainly includes loans commitments, credit card commitments, acceptances, letters of credit and letters of guarantees.

The contractual amounts of loans and credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>At 31 December</b>	
	<b>2021</b>	<b>2020</b>
Loan commitments		
– Original contractual maturity within one year	<b>485,056</b>	352,261
– Original contractual maturity more than one year (inclusive)	–	25
Credit card commitments	<b>1,431,624</b>	1,599,581
Subtotal	<b>1,916,680</b>	1,951,867
Acceptances	<b>66,702,718</b>	81,509,790
Letters of guarantees	<b>1,786,202</b>	188,228
Letters of credit	<b>3,365,623</b>	1,399,829
Total	<b>73,771,223</b>	85,049,714

The Group may be exposed to credit risk in all the above credit businesses. The management of the Group periodically assesses credit risk and makes provision for any probable losses. As the facilities may expire without being drawn upon, the total of the contractual amounts shown above is not representative of expected future cash outflows.

### (b) Capital commitments

As at 31 December 2021 and 2020, the Group's authorised capital commitments are as follows:

<i>(Expressed in thousands of Renminbi, unless otherwise stated)</i>	<b>At 31 December</b>	
	<b>2021</b>	<b>2020</b>
Contracted but not provided for		
– Purchase of property and equipment	<b>35,126</b>	39,813
Total	<b>35,126</b>	39,813

**(c) Outstanding litigations and disputes**

As at the end of the Reporting Period, the Bank had a total of one major outstanding litigation case as defendant involving a subject amount of RMB13,935,050. The above litigation cases will not have a material adverse impact on the Bank's operating activities.

The Bank was involved in a dispute over a technology contract in September 2020. The defendant (the plaintiff in the counterclaim) filed a counterclaim in relation to a dispute arising out of a software development contract with Jinzhou Bank. The Bank win the first instance trial in 2020, but the defendant (the plaintiff in the counterclaim) appealed the outcome of the trial to the Liaoning High People's Court for a second instance trial in 2021 and was remanded to the original court for a first instance retrial. On 13 March 2022, the Bank received the judgment of the first trial which has not yet entered into force, so the possibility of the Bank losing the lawsuit cannot be determined at this stage.

**7. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021**

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations, which are not yet effective for the year ended 31 December 2021 and have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

IFRS 17	Insurance Contracts <sup>2</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>2</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>1</sup>
Amendments to IAS 37	Onerous Contracts – Costs of Fulfilling a Contract <sup>1</sup>
IFRS 1	First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time Adopter <sup>1</sup>
IFRS 9 Financial Instruments	Fees in the '10 percent' test for derecognition of financial liabilities <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

The Group is in the process of assessing the impact of these amendments in the period in which they are first applied. As of the date of the announcement, the adoption of these amendments is unlikely to have a material impact on the consolidated financial statements.

## **8. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD**

On 25 February 2022, due to job reallocation, Ms. Leung Wing Han Sharon (梁穎嫻) has tendered her resignation as the joint company secretary of the Bank, with effect from 25 February 2022. On the same day, as considered and approved at the 21st meeting of the sixth session of the Board of Directors, the Bank appointed Dr. Ngai Wai Fung as a joint company secretary of the Bank, and an authorized representative of the Bank for accepting service of process and notices in Hong Kong on the Bank's behalf under Rule 19A.13(2) of the Listing Rules and of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong). The primary contact person between the Bank and Dr. Ngai Wai Fung is Mr. Yu Jun of the Bank. In addition, the Bank has applied for and has been granted to waiver by the Hong Kong Stock Exchange from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules in respect of the appointment as joint company secretary of the Bank from 25 February 2022 to 19 January 2023, on the condition that Mr. Yu Jun has been assisted by Dr. Ngai Wai Fung during the waiver period and there are no material breaches of the Listing Rules by the Bank.

## **9. RELEASE OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

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

This results announcement was prepared in both Chinese and English versions, and the Chinese version shall prevail where there is a discrepancy between the Chinese and English versions.

## DEFINITIONS

“Bank”, “Bank of Jinzhou” or “Group”	Bank of Jinzhou Co., Ltd.* (錦州銀行股份有限公司), a joint stock company incorporated in the PRC on 22 January 1997 with limited liability in accordance with PRC laws and, unless the context requires otherwise, includes its subsidiaries, branches, sub-branches and special institutions
“Board” or “Board of Directors”	the board of Directors of the Bank
“Board of Supervisors”	the board of Supervisors of the Bank
“Corporate Governance Code”	the “Corporate Governance Code and the Corporate Governance Report” as set out in Appendix 14 of the Listing Rules, which was renamed as the “Corporate Governance Code” since 1 January 2022
“Director(s)”	the director(s) of the Bank
“Domestic Share(s)”	the ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is/are subscribed for or credited as paid up in Renminbi by PRC nationals and/or PRC corporate entities
“H Share(s)”	the ordinary share(s) in the share capital of the Bank with a nominal value of RMB1.00 each, which is/are subscribed for and traded in HK dollars and listed on the Main Board of the Hong Kong Stock Exchange
“HK\$” or “HK dollars”	the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time

“Former CBRC”	the China Banking Regulatory Commission
“PBOC”	the People’s Bank of China
“PRC” or “China”	the People’s Republic of China, for the purposes of this announcement only, refers to the territory of the People’s Republic of China, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan region of the PRC
“Reporting Period”	the year ended 31 December 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shareholder(s)” or “Ordinary Shareholder(s)”	the holder(s) of the share(s) of the Bank
“Share(s)” or “Ordinary Share(s)”	the Domestic Share(s) and the H Share(s) of the Bank, excluding the offshore preference share(s)
“Supervisor(s)”	the supervisor(s) of the Bank
“USD” or “US dollars”	the lawful currency of the United States of America

By order of the Board  
**Bank of Jinzhou Co., Ltd.\***  
**Wei Xuekun**  
*Chairman*

Jinzhou, Liaoning Province, the PRC

31 March 2022

*As at the date of this announcement, the Board comprises Mr. Wei Xuekun, Mr. Guo Wenfeng, Mr. Kang Jun, Mr. Yang Weihua and Mr. Yu Jun, as executive Directors; Mr. Zhao Chuanxin, Ms. Ning Jie, Ms. Gu Jihong, Mr. Lyu Fei and Mr. Luo Nan, as non-executive Directors; and Mr. Wu Jun, Mr. Xie Taifeng, Mr. Xiao Geng, Mr. Wang Xiongyuan and Mr. Su Mingzheng, as independent non-executive Directors.*

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