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重慶農村商業銀行

CHONGQING RURAL COMMERCIAL BANK

重慶農村商業銀行股份有限公司*

Chongqing Rural Commercial Bank Co., Ltd.*

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

(Stock Code: 3618)

RESULTS ANNOUNCEMENT FOR THE YEAR 2021

The board of directors (the “**Board**”) of Chongqing Rural Commercial Bank Co., Ltd. 重慶農村商業銀行股份有限公司* (the “**Bank**”) is pleased to announce the audited results of the Bank and its subsidiaries (the “**Group**”) for the twelve months ended 31 December 2021 (the “**Annual Results**”). This Annual Results announcement contains the full text of the annual report of the Group for the twelve months ended 31 December 2021 and the contents were prepared in accordance with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and the International Financial Reporting Standards. The Annual Results have been reviewed by the audit committee of the Bank. This Annual Results announcement is published on the websites of the Bank (www.cqrcb.com) and the Hong Kong Stock Exchange (www.hkexnews.hk). The annual report for the twelve months ended 31 December 2021 will be despatched to shareholders of the Bank and will also be made available at the abovementioned websites in due course.

By order of the Board

Chongqing Rural Commercial Bank Co., Ltd.*

重慶農村商業銀行股份有限公司*

Liu Jianzhong

Chairman and Executive Director

Chongqing, the PRC, 30 March 2022

As at the date of this announcement, the executive directors of the Bank are Mr. Liu Jianzhong, Mr. Xie Wenhui and Mr. Zhang Peizong; the non-executive directors of the Bank are Mr. Zhang Peng, Mr. Yin Xianglin and Ms. Gu Xiaoxu; and the independent non-executive directors of the Bank are Mr. Song Qinghua, Mr. Zhang Qiaoyun, Mr. Lee Ming Hau, Mr. Li Jiaming and Ms. Bi Qian.

* *The Bank holds a financial licence number B0335H250000001 approved by the regulatory authority of the banking industry of the PRC and was authorised by the Administration for Market Regulation of Chongqing to obtain a corporate legal person business licence with a unified social credit code 91500000676129728J. The Bank is not an authorised institution in accordance with the Hong Kong Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorised to carry on banking/deposit-taking business in Hong Kong.*

Important Notice

1. The Board, the Board of Supervisors and directors, supervisors and senior management of the Bank warrant that the truthfulness, accuracy and completeness of the contents of the annual report, and that there are no false presentations, misleading statements or material omissions herein, and legally liable for this annual report jointly and severally.
2. The 2021 annual report and results announcement of the Bank have been considered and approved at the ninth meeting of the fifth session of the Board of Directors of the Bank convened on 30 March 2022. The number of directors who should attend the meeting is 11 with 11 directors actually attended the meeting, 1 director entrusted other directors to vote on their behalf. Some supervisors and senior management personnel of the Bank attended the meeting.
3. The 2021 financial report prepared by the Bank in accordance with Chinese Accounting Standards has been audited by PricewaterhouseCoopers Zhong Tian LLP, and the 2021 financial report prepared in accordance with International Financial Reporting Standards has been audited by PricewaterhouseCoopers. Both auditors issued an unqualified audit report.
4. The chairman of the Bank Liu Jianzhong and president Xie Wenhui warrant the authenticity, accuracy and completeness of the financial report in this report.
5. The Board of Directors of the Bank has recommended a final dividend on ordinary shares for 2021 of RMB2.525 per 10 shares (inclusive of tax), such dividend distribution plan will be submitted to the 2021 annual general meeting for consideration. No capitalisation of the capital reserve to share capital is proposed in this distribution.
6. This report may contain forward-looking statements such as future plans of the Bank. Such statements are made by the Bank based on the current situation and forecast, are related to future events or the Bank's future financial, business or other performance. Possible future plans do not constitute a substantive commitment by the Bank to its investors. Investors and people concerned should be fully aware of the risks and understand the differences between plans, forecast and commitment.
7. There is no misappropriation of the Bank's funds by its controlling shareholders or other related parties for non-operating purposes and no instance of providing external guarantee that is in breach of the established decision-making procedure.
8. The Bank has no significant risks that need to draw special attention of investors. For details of the major risks that the Bank faces in its business operation and various measures adopted by the Bank, please refer to the Risk Management Section in Chapter 3.

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Definitions

Articles of Association	Articles of Association of Chongqing Rural Commercial Bank Co., Ltd.*, as amended from time to time
Chongqing Rural Commercial Bank, Bank or our Bank	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司)
Group	Chongqing Rural Commercial Bank Co., Ltd.* (重慶農村商業銀行股份有限公司) and its subsidiaries
PBOC or Central bank	the People's Bank of China
CBIRC	China Banking and Insurance Regulatory Commission
China Banking Regulatory Authority	the China Banking and Insurance Regulatory Commission and its agencies
CBIRC Chongqing Office	China Banking and Insurance Regulatory Commission Chongqing Regulatory Bureau (中國銀行保險監督管理委員會重慶監管局)
CSRC	China Securities Regulatory Commission
Board of Directors or Board	the board of directors of the Bank
Board of Supervisors	the board of supervisors of the Bank
Hong Kong Stock Exchange, or the Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
CG Code	Corporate Governance Code, Appendix 14 to the Hong Kong Listing Rules
Shanghai Stock Exchange	Shanghai Stock Exchange
rural commercial bank	a short-hand reference to rural commercial bank (農村商業銀行)
Sannong	a short-hand reference to the Chinese pronunciation of the phrase "agriculture, rural areas and farmers"

Definitions

village and township banks	bank institutions that are approved by China Banking Regulatory Authority to be incorporated in rural areas to provide services to local farmers or enterprises
CQRC Wealth Management	CQRC Wealth Management Co., Ltd.
CQRC Financial Leasing	CQRC Financial Leasing Co., Ltd.
urban area	9 urban areas in Chongqing City, namely Yuzhong District, Dadukou District, Jiangbei District, Shapingba District, Jiulongpo District, Nan'an District, Beibei District, Yubei District and Ba'nán District
county area	Regions other than 9 urban areas of Chongqing city, also including 12 village and township banks controlled by the Bank and Qujing Branch established in another province by the Bank
PRC or China	The People's Republic of China
yuan	RMB yuan
Reporting Period	the twelve months period from 1 January 2021 to 31 December 2021

Chairman's Statement

Dear Shareholders,

2021 was an extraordinary year and a milestone year. In 2021, the Communist Party of China celebrated its centennial birthday and started a new journey of the second centennial goal. In 2021, the international and domestic situation was still severe and complicated. Facing the repeated COVID-19 pandemic and many uncertainties, China made overall planning for development and security, achieving a good start for the “14th Five-Year Plan”. In 2021, Chongqing Rural Commercial Bank took the initiative to integrate into the overall situation of national and regional development, and anchored the strategic direction to move forward bravely, successfully completing the objectives and tasks. As of the end of 2021, the Group's assets exceeded RMB1.26 trillion, with double-digit growth in assets and net profit, representing an increase of 11.43% and 13.47% respectively. The non-performing loan ratio and the provision coverage ratio were “one decrease and one increase”, and the asset quality and the risk-resilience capacity remained good.

Success comes to those who share in one purpose. Looking back on the past, every progress and every achievement of Chongqing Rural Commercial Bank embodied the full support of customers, investors and all sectors of society, were full of tireless efforts of “three meetings and one management” and all employees, and also came from its own persistence and innovation.

An excellent enterprise focuses on cultivating the fundamentals — The Bank comprehensively promoted rural revitalization and the construction of the western financial center to form a “strategy dynamics” in Chongqing, and the intersection of mission and destiny made the future of rural finance full of infinite possibilities. Under the opportunity of the times, Chongqing Rural Commercial Bank carries the leading experience of rural financial reform in China. Many years of “agriculture, rural areas and farmers” service experience is integrated into the overall situation of rural revitalization, which is the mission, and the Bank is rushing to the front line of building the western financial center by virtue of scale, license and business advantages, which is fate. The times favor the strugglers. Our ranking in the “Top 1000 Global Banks” in 2021 continued to increase, rising to 119th, maintaining the first place among the national rural commercial banks and the central and western banks, which not only fully affirms us, but also inspires our greater fighting spirit.

Ascending a height can gain insight — We are well aware of “success only comes through hard work”, so as to catch up with and carry on the journey of continuous pursuit of excellence. We always take the first-class modern enterprise standard as the “measurement ruler”, and strive to run a new “acceleration” in the reform “marathon”, break through the “pole” and raise the upper limit in the industry track. In 2021, the Bank's experience in reform and development was fully affirmed on different occasions and at different levels. The Bank won the highest international rating of local banks in China in the entity rating of Moody's, a global authoritative rating agency. The Bank ranked the first echelon in the corporate governance supervision rating of financial institutions published by the China Banking and Insurance Regulatory Commission, won the first-class achievement of enterprise management modernization and innovation in China, and was included in the “Excellent Brand Story of Local State-owned Enterprises” published in the system of the State-owned Assets Supervision and Administration Commission of the State Council.

Chairman's Statement

Enterprise management is simple, and do something gradually but perseveringly — We relied on customers' trust to accumulate strong “business resilience”, so as to promote the reconstruction and new competition of regional financial services. We carried forward the fine tradition of “walking thousands of mountains and rivers and entering thousands of households”, and have always worked tirelessly and intensively to serve the real economy and the county-level economy. The trust of customers has become our greatest confidence, which makes us stand tall and fearless under the complicated impact. In 2021, we established a special inclusive finance line to further pursue the ultimate service in inclusive finance, and the growth rate of supporting agriculture and supporting micro-credit loans reached a new high. We focused on building the BBC financial ecosystem, forming an integrated “three-dimensional ecology” of customers, merchants and banks, realizing the “double promotion” of retail customer contribution and activity, and gradually becoming a unique “ballast stone”.

Change from time to time, and change will in turn lead to an unimpeded state — We create “good finance” for a better life, and strive to switch the customers' financial experience to “minimal mode” through digital transformation. How to meet people's growing good financial demands, the answer we give is “digital future”. In order to build a “digital bank”, we have applied for a total of 101 patents, increasing the proportion of financial technology talents to 3%. Our digital project was awarded the “benchmark project” of state-owned enterprises published by the State-owned Assets Supervision and Administration Commission of the State Council and the “Financial Technology Development Award” granted by the People's Bank of China. Our air bank, dialect bank and mobile bank have a good reputation, with online loan balance exceeding RMB100 billion, benefiting 2.8 million customers.

Wherever hearts go, behavior follows — Our efforts are to create value and give back to the society, so as to unite the collective ambition of consensus, cooperation and empathy. We take ROE promotion as the source of intrinsic value growth, devote ourselves to value creation and mutual benefit and win-win, extend the shared value chain, and promote higher standards to realize the corporate vision of “a modern commercial bank with good value creativity”. We have steadily increased the dividend ratio as the “longest confession”, and the dividend of shares increased from RMB0.06 per share in the early stage to RMB0.222 per share in 2020, quadrupling, so that every shareholder can fully enjoy the dividend of reform and development.

Start again through vigorous and determined endeavor. Looking forward to 2022, we will insist on steady progress, calmly, objectively and dialectically look at the changes of the situation, base ourselves on the “two overall situations”, keep in mind “the utmost interests of the nation”, build a firm bottom line thinking, enhance the sense of opportunity, and create a new situation for the development of various undertakings with the attitude of striving for success.

Explain the connotation of inclusive service with “bell curve”, and dig the deep value of customers from “Pareto distribution”. We can't change the economic and financial cycle and law, but we have the ability to properly adjust and smooth. For banks, the service demand and commercial value of customers should be paid attention to. We have long paid attention to the distribution law of huge customer groups, provided batch and efficient service solutions for the demand of inclusive finance showing a “bell curve”, and deeply dug the commercial value of high-net-worth and high-contribution customers in the “Pareto distribution”, providing an inexhaustible motive force for our sustainable growth.

Embed unique marketing, risk control and management genes in the DNA of digital finance. Digital transformation is a “watershed” that the banking industry can't avoid, but it can't “copy jobs” in the same way. We have many organizations, go deep into the front line, are close to customers, have the first-mover advantage of being familiar with people and places, a keen and quick marketing system, a precise and unique risk control strategy, an efficient and standardized management mechanism. These unique conditions will become the differentiation features of our digital transformation, constantly enlarge the research and development and application value of new technologies and new models, and enable us to gradually build a small, beautiful, specialized and sophisticated digital ecology.

Build a future-oriented enterprise organization, and improve the strategy implementation capability to adapt to the changing trend. Management master Charles Handy said: “when you know where to go, you often have no chance to go.” In the post-COVID-19 pandemic era, facing increasingly complex market changes, we are thinking forward about building an agile organization, an open organization and a resilient organization, with the aim of comprehensively boosting the spirit and energy, focusing on improving innovation, marketing, management and other capabilities, so as to better promote the strategic integration of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, and condense the strong competitiveness facing the future and adapting to the future.

Standing at the historical intersection of “two hundred years” and facing the accelerated evolution of the unprecedented changes in a century, Chongqing Rural Commercial Bank will base itself on the new development stage, implement the new development concept, integrate itself into the new development pattern, give full play to its own unique advantages, firmly grasp the strategic opportunities such as the Yangtze River Economic Belt, the Chengdu-Chongqing Economic Circle, the western financial center, etc., and give full play to the role of local financial services as the “main force”. We will focus on serving people's needs for a better life, make further efforts to demand benefits from development, momentum from reform and vitality from innovation, focus on creating greater value for our customers, shareholders, employees and society, properly take the road of developing a new trillion-RMB listed bank well, and present to the 20th National Congress of the CPC with outstanding achievements!

LIU Jianzhong
Chairman

30 March 2022

President's Statement

Dear shareholders,

In the past 2021, we worked with cohesive force, relied closely on the development opportunities such as rural vitalization, the western financial center and the construction of Chengdu-Chongqing Economic Circle, and deeply implemented the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, showing strong value resilience under the complicated economic situation. The assets of the Group exceeded RMB1.26 trillion, representing a year-on-year increase of 11.43%. The annual net profit was RMB9.718 billion, representing a year-on-year increase of 13.47%. The average return on total assets was 0.81%, and the weighted average return on net assets was 9.82%. The quality of assets remained stable, with the non-performing loan ratio of 1.25%, overdue loan ratio of 1.18%, provision coverage ratio of 340.25% and capital adequacy ratio of 14.77%.

Progress steadily, advance with the times. We resolutely implemented the new development concept, paid close attention to the major strategic arrangements of the central and local governments, and promoted the steady development of businesses. Focusing on rural revitalization, the Bank gave full play to the advantages of Chongqing's largest agriculture financial institution, established the inclusive finance line, and increased further loans for supporting agriculture and small and micro enterprises. The balance of agriculture loans was RMB195.774 billion, representing an increase of RMB25.36 billion as compared to the end of the previous year. The number of inclusive small and micro households and the balance of loans increased by 23,800 and RMB21.444 billion respectively. **Focusing on the construction of Chengdu-Chongqing Economic Circle**, the Bank granted more than RMB72.9 billion of credit to 72 key projects and enterprises in the Chengdu-Chongqing Economic Circle. The balance of loans of manufacturing industry exceeded RMB55 billion, accounting for 23% of the loans in Chongqing, the balance of medium and long-term loans to manufacturing industry exceeded RMB36 billion, accounting for 26% of the loans in Chongqing, and the balance of loans to technology-based enterprises exceeded RMB49 billion, all ranking first in Chongqing. **Focusing on green and low-carbon development**, adhering to the principle of “Equator Bank”, the Bank took the lead in handling carbon emission quota pledge financing in Chongqing, becoming the first financial institution in Chongqing to disclose the climate and environmental information of the previous year through “Yangtze River Green Trade Financing”. The Bank won many honors such as the “2021 ESG Practice Tianji Award of China Banking Industry”, and the “Annual Social Responsibility Green Finance Award”. The growth rate of green loans exceeded 49%. Hence, the Bank really helped the achievement of “peak carbon dioxide emissions, carbon neutrality”.

Be brave and determined, and sail towards a brighter future. We were bold in breaking through the traditional financial concept and closely followed the pulse of the consumption upgrading era to promote the comprehensive upgrading of customer services. Accurately serving personalized customer demands, the Bank built a retail management center with Huisi platform as the main line and including “Yukuai Work”, performance display and other multi-system collaboration, developed 165 multi-dimensional personalized labels, provided hierarchical and classified services for customers, and accurately matched special services, thus promoting a net increase of 212,200 VIP customers. **Accelerating the creation of featured series of products.** The Bank dug deep into medical care, housing, pension, consumption and other sub-sectors, and created top-notch products such as “Yukuai Loan” and “Housing Fast Loan”. Retail loans accounted for 47.33% of the total loans, representing an increase of 4.69 percentage points as compared to the end of the previous year, driving the proportion of the revenues of retail business to exceed 40%. **Continuing to enrich all-round scenario finance.** The Bank created 559 scenario products around “home life”, “car life” and “beauty life”, covering all scenarios of “food, lodging and transportation; sightseeing, shopping and entertainment; medicine, education and nursing”, and built a value-added rights and interests system for individual customers. The Bank took advantage of its latecomer to realize the rapid growth of cooperative merchants, with 401,500 effective merchants and merchants driving AUM and LUM, representing an increase of 111.38% and 150.41% as compared to the end of the previous year.

God rewards the diligent, and things are constantly changing. We persistently increased investment in science and technology, closely followed the trend of financial digital transformation, and built a “digital bank” with the characteristics of rural and commercial enterprises. The ability of independent research and development is increasing day by day. The average annual investment in financial technology has maintained a growth rate of more than 20% for many consecutive years. The Bank actively fulfilled the duties of members of the China Financial Standardization Technical Committee, participated in the formulation of 5 financial industry standards and 10 group standards, and completed the formulation of 9 enterprise standards. **The intelligent platform is getting stronger and stronger.** Through the application of human face, voice, semantics, image and other technologies, the Bank provided customers with access to diversified scenarios such as mobile banking App, wei-bank and air counter, with the replacement rate of electronic channel account transactions of 97%. This intelligent platform project was rated as a benchmark project of management improvement by the SASAC of the State Council. **The digital product system is becoming more and more perfect.** The full release of the value of financial technology promoted the formation of business digitalization trend, and over 10 self-developed digital products were put into production, fully covering the retail, small and micro, Sannong and corporate business segments.

President's Statement

Be concentrated and persevering, make the best better. We insisted on strengthening the foundation and our internal strength, kept up with the trend of intensive development and fine management, and continuously improved the level of high-quality development. Promoting high-standard operation management, and with the concept of intelligence, process and intensification, the Bank improved the quality and efficiency of centralized operation, sped up the building of “Big Operation Management” supporting capacity based on intensive business, management and operation, and comprehensively promoted the operation management to a high standard, high quality and high level. **Promoting process bank management,** the Bank further optimized the system, further sped up the process, accelerated the application of paperless projects to promote the efficiency of management, released the manpower of the middle and back offices to the front line, and enhanced the convenience and mobile exhibition ability of business personnel. **Promoting intelligent risk control management,** the Bank continued to explore the risk management path in the new economic situation and the new digital economy era. The Bank launched the post-loan early warning system of big data, forming a digital risk control system for the whole credit process, including pre-loan anti-fraud, interim-loan intelligent decision-making and post-loan digital early warning and handling. The Bank comprehensively enhanced the system's support capacity for risk management, strengthened the unified credit management and the forward-looking risk monitoring in key areas, and formed a unified risk view of the Group.

The goal of practitioners is still far away, the struggle is at the right time. In 2022, we will stick to the strategic positioning, deeply dig the value of inclusive customers and high-net-worth customers with high-quality services, further promote the digital transformation with unique advantages, quickly adapt to the complex changes of the market with a future-oriented organization, and comprehensively enhance our value creativity, digital driving force and organizational support, so as to build the Bank into a modern enterprise with complete corporate governance capability, a listed bank with good value creativity and an industry benchmark with excellent brand influence.

XIE Wenhui
President

30 March 2022

Company Information

I. Basic Information

Legal name and abbreviation in Chinese	重慶農村商業銀行股份有限公司 (abbreviated as “重慶農村商業銀行”)
Legal name and abbreviation in English	Chongqing Rural Commercial Bank Co., Ltd. (abbreviated as “Chongqing Rural Commercial Bank”)
Legal Representative	LIU Jianzhong
Authorised Representatives	LIU Jianzhong XIE Wenhui
Secretary to the Board	ZHANG Peizong
Securities affairs representative	XIE Xiaozhou
Contact details for investors	Correspondence Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing Telephone: (8623) 6111 0637 Fax: (8623) 6111 0844 Email address: ir@cqrcb.com
Company Secretary	WONG Sau Ping
Registered and office address and postcode	No. 36 Jinshamen Road, Jiangbei District, Chongqing 400023
Historical change of the Company’s registered address	The registered address of the Bank at the time of its establishment on 27 June 2008 was 10 Yanghe Road East, Jiangbei District, Chongqing, and was changed to the current registered address on 1 April 2017
Principal place of business in Hong Kong	31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Company’s website	www.cqrcb.com
Email address	cqrcb@cqrcb.com
Name of designated media for information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily

Company Information

Designated website of CSRC for publication of annual report	Website of the Shanghai Stock Exchange (www.sse.com.cn)
Website of the Hong Kong Stock Exchange for publication of annual report	the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk)
Place for maintenance of annual report	Office of the Board of Directors of the Bank
A-share listing stock exchange	Shanghai Stock Exchange Stock Short Name: Yu Nong Shang Hang Stock Code: 601077
H-share listing stock exchange	The Stock Exchange of Hong Kong Limited Stock Short Name: CQRC BANK Stock Code: 3618
A share registrar	Shanghai branch of China Securities Depository and Clearing Company Limited Address: No. 188 Yanggaonan Road, Pudong New District, Shanghai
H share registrar	Computershare Hong Kong Investor Services Limited Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Date of first incorporation and registration authority	27 June 2008 Administration for Market Regulation of Chongqing
Unified social credit code of corporate legal person business license	91500000676129728J
Financial license institution number	The Bank holds a financial license number B0335H250000001 approved by the China Banking Regulatory Authority
Auditors	PricewaterhouseCoopers Zhong Tian LLP Address: 42/F Qiantan Center, 588 Dongyu Road Pudong New Area, Shanghai Signing accountants: WANG Wei, FENG Ye PricewaterhouseCoopers Address: 22/F, Prince's Building, Central, Hong Kong Signing accountant: LEUNG Kwok Wai, Jimmy

Legal advisor as to PRC laws	SGLA Law Firm (Chongqing) Address: 10-12F, Building 7, Corporate Avenue, No. 7 Huasheng Road, Yuzhong District, Chongqing
Legal advisor as to Hong Kong laws	Clifford Chance LLP Address: 27th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Sponsor performing continuous supervision	China International Capital Corporation Limited Address: 27th and 28th Floor, China World Office 2, 1 Jianguomenwai Avenue, Chaoyang District, Beijing Telephone: (8610) 6505 1166 Fax: (8610) 6505 1156 Sponsor Representatives: XU Jia, LIU Zihan Continuous supervisory period: 29 October 2019 to 31 December 2021

II. Overview of the Company's Businesses

Chongqing Rural Commercial Bank Co., Ltd., formerly known as Chongqing Rural Credit Cooperative, was established in 1951 and has a history of over 70 years. In 2003, Chongqing became one of the first batch of pilot provinces and cities for the nationwide rural credit cooperative reform. In 2008, the rural commercial bank with a unified legal person in the city was established. In 2010, the Bank's H-share was successfully listed on the Main Board of the Hong Kong Stock Exchange, becoming the first listed rural commercial bank in China and the first listed bank in the western China. In 2019, the Bank was successfully on the main board of the Shanghai Stock Exchange, becoming the first rural commercial bank with A+H dual listing in China and the first bank with A+H dual listing in the western China.

The Bank's main businesses include corporate finance business, inclusive finance business, retail finance business and financial market business. The corporate finance business mainly provides a wide variety of corporate finance products and services for enterprises and public institutions, government agencies, and financial institutions, including corporate loans and deposits business, trade financing loans business, bills business and guarantees business. Inclusive finance's business mainly provides financial services for new agricultural business entities such as small and micro enterprises, farmers and farmers' professional cooperatives. The retail finance business mainly includes personal loan and deposit business, bank card business and intermediary business, etc. The financial market business mainly includes capital operation business, investment banking business and asset custody business. At the same time, the Bank initiated and established one financial leasing company, one wealth management company and 12 village and township banks.

III. The Development Strategy and Core Competitiveness

(I) Development strategy of the Bank

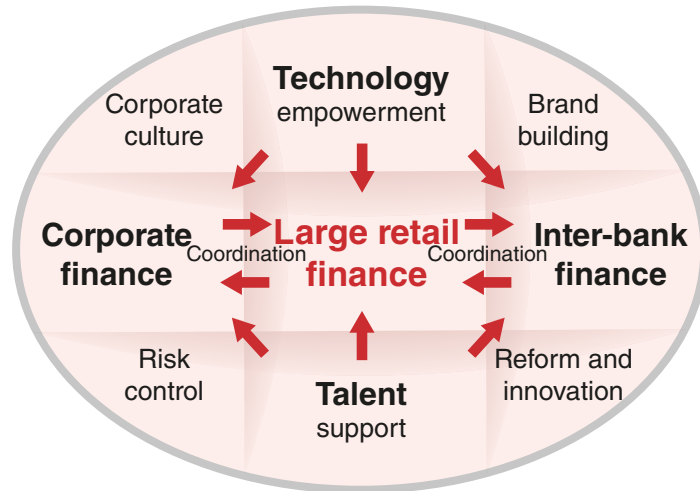
Under the guidance of the strategic goal of “striving to become a leading regional bank in China”, the Bank adheres to the ideas of “characteristic operation, streamlining the management and fostering good corporate culture” and “strengthening management, controlling risks and stabilizing development”, adheres to the 12-character strategic policy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”. The Bank takes large retail business as the core competitiveness, promotes the coordination of four clients” plus “four-wheel drive” of retail, small and micro, corporate and interbank business and continuously promotes the high-quality and connotative development of the Bank to continuously enhance the ability of financial support for rural revitalization and provide services for the sustainable development of the real economy.

1. *Anchoring banks with retail*

The Bank strives to become “a bank with best customer experience”, insisting on customer-oriented principle and taking retail as the foundation of development and survival. At the same time, the Bank comprehensively learned from other outstanding banks. By enhancing the “speed, precision and depth” of retail, the Bank’s service capability and contribution to wealth management, consumer finance and microfinance will be improved. Meanwhile, it will “reduce costs, control risks and increase efficiency” to create a “large retail” business ecology with distinctive features, outstanding advantages and market leadership and establish a solid foundation for high-quality development.

— The development path

The Bank takes Chongqing as the main battlefield, carries forward the hot pot culture of Chongqing, gives play to its four major characteristics of “hemp, spicy, fresh and fragrance”, forming a large retail finance as the core, achieving the coordination and development of the company and interbank finance, empowering financial science and technology as top, providing support to talents as base, with the four sides supplemented by enterprise culture, brand construction, risk management and control and reform and innovation, so as to promote the coordinated and efficient development of the whole Bank’s business on a joint basis.



Hemp (stress the characteristics): Base on the market positioning of supporting “agriculture, rural areas and farmers” and supporting small and micro enterprises and serving the real economy, grasp the advantages of the establishment of the Bank and adhere to the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”.

Spicy (core competitiveness): Give play to the experience advantages of deeply penetrating counties and serving “Sannong”, and build a retail business system with the characteristics of the Rural Commercial Bank through the empowerment of new technologies, new channels and new systems with the help of the core advantages of branch channels, service teams and customer base.

Fresh (cooperate with each other): With retail as the establishment foundation of the Bank, strengthen the linkage among retail finance, corporate finance, small and micro finance and interbank finance, so as to realize the deep interaction and collaborative promotion of all lines.

Fragrance (brand image): Create a distinctive and popular brand image of “Yukuai” products, the technological image of “Digital Rural Commercial Bank” and the talents attracting image of “the near one pleases and the far one comes”.

— New retail thinking of “three transformations”

Transform from “product marketing” to “customer’s housekeeper”. Transform from “product marketing” which only provides financial products and services to “customer’s housekeeper” of all information, all channels, all businesses and all products, ensure that customers of all lines, such as small and micro enterprises, individuals and credit cards, are “managed”, and different customers can be “managed effectively” by categories and levels, so as to truly achieve “customer-oriented”.

Transform from “B2C” to “BBC”. Transform from the traditional “Bank to Customer” to “Bank-Business-Customer”. Build a BBC financial ecosystem, turn the Bank into a platform, take 2W3H evaluation system as the standard, and build an integrated ecosystem of finance and life.

Transform from “traditional hall service” to “OMO integration”. Base on the outlets scene and product digitization, take the intelligent machines and tools at outlets and the working APPs of employees as an important carrier, improve the intelligent level of offline outlets, build the offline service contacts of the ecosystem, and realize the outlets transformation from transactional outlets to service marketing outlets. Open the online and offline channel information exchange channels, and promote the collaborative integration of online and offline multi-channel customer acquisition and service.

— New retail strategy of “five attitudes”

Serve counties attentively and set up the model of rural vitalization. Seize the opportunity of the development policy of rural vitalization strategy, give play to the channel advantages of 1,454 county outlets, and fully tap the financial demand potential of individual and agricultural industry in rural areas.

Serve users wholeheartedly and build a BBC financial ecosystem. Build an integrated ecosystem of finance and life based on the scene of “food, lodging and transportation; sightseeing, shopping and entertainment; medicine, education and nursing”. Bind the products with the merchants deeply with “merchant code + system”, approach the construction of the ecosystem, and focus on outlets and “three sides” to create scene marketing. Establish the new retail brand of “Yukuai Life” and build a series of sub-brands of “home life”, “car life” and “beauty life”.

Serve high net worth clients intently and strengthen wealth management. Build a professional wealth management center, a professional customer manager team, a professional private banking product system, and a professional customer rights and interests system.

Serve all customers closely and reconstruct the customer operation system. Reconstruct the customer management system with the customer as the center to realize the effective management of customers by specific organization and staff. Track the performance of customer managers in real time and activate the sleeping retail customers with “four completeness and three contributions” as the assessment objective and personal financial service platform and as the support.

Concentrate on technology empowerment, construction of digital products processes. Optimize the basic financial services of “deposit, loan, remittance, payment and inquiry”. Enrich mobile banking APP and micro banking functions to create the “yukuai” series of online products. Establish the intelligent brain of the branches, and create a digital workflow for customer managers. Enable management, and build automated and intelligent credit granting and risk management.

2. *Propelling the Bank with technology*

Take building a “Digital Rural Commercial Bank” as the goal, and adhere to taking technology as the innovation engine and development momentum. Continue to increase investment in financial technology, accelerate the application of new technologies such as big data, AI and cloud computing, and let financial technology innovation drive the business and operations and management of the whole bank to improve simultaneously. Adhere to independent research and development, and form a “patent pool” and “standard library” with the characteristics of the rural commercial bank and local features.

— Promote the “four enhancements”

Enhance financial technology empowerment. Through the establishment of the late-developing advantage of financial technology, strengthen basic research and application research, promote the transformation of scientific and technological achievements, enable all lines and businesses, enable pre-loan, in-loan and post-loan risk management, and promote simultaneous enhancement of the quality and efficiency of operation and management with financial technology innovation.

Enhance smart financial service. Continuously iterate “smart bank”, implant the gene of the platform, explore open bank, and create a modern financial service ecosystem by integrating “platform + scenario” and “scenario + finance”.

Enhance online and offline integration. Solve offline bottlenecks by technological means, rebuild the journey of customer branches, and accelerate the transformation of the new generation of branches. Make customer service precise, put application scenarios on the platform, and integrate linkage marketing. Move the offline superior products to the online, and gradually develop online users into comprehensive customers of payment and settlement, investment and financing, and credit consumption.

Enhance data mining value. Carry out professional processing and in-depth mining through advanced technology such as big data, turn the data stock of the whole bank into business flow, launch personalized, differentiated and customized exclusive services, and achieve the goal of “value-added”.

3. *Empowering the Bank with talents*

Adhere to taking talents as the core resources and future hope. Insist on “talent is the primary resource”, build a high-quality talent team with firm political stand, excellent specialty and reasonable structure at full stretch, accelerate the introduction and cultivation of professional and inter-disciplinary talents in new business, risk control, financial innovation and other aspects, and provide a strong talent guarantee and intellectual support for promoting high-quality development in the Bank.

— Implement the “Five Programs”

Management talent leading program. Adhere to “simultaneously promoting” internal training and external introduction, and properly select and make good use of a number of excellent talents who understand both operation and management, and have both professional knowledge and practical experience, incorporate them into the middle-level leader and basic-level manager team. Promote the reform of the management tenure system and contractual management, and form a management system featuring market-oriented recruitment, contractual management, differentiated compensation, and market-oriented exit.

Professional talent development program. Adhere to introducing a talent and motivating a team, introduce and develop core talents in high-level key positions urgently needed in operation and management in accordance with the principle of “one matter, one approach; one person, one strategy”. Adhere to the compensation marketization, constantly improve the compensation distribution system, and strive to build a high-skilled talent team with reasonable structure, matching echelons and outstanding performance.

Practical talents support program. The Bank focused on both “high-end intelligence” and “basic skills” talents, and carry out internship programs. The Bank created an employer brand, enriched the talent attraction pipeline, and carried out recruitment by region, level and job type to inject “fresh blood” for the sustainable development of talents. The Bank also strictly implemented the job rotation and mandatory leave system, and established a market-oriented employment system with contract management as the core and job management as the basis. Moreover, the Bank widened the career development channel of talents and improved the efficiency in the use of human resources.

Talent quality improvement program. Increase the talent pool, continue to promote the mechanism of tracking and training of management trainee and reserve cadres as well as exchange and cultivation of up-appointment and down-transfer, intensify the training management and control of outstanding young employees, and promote the sustainable development of human resources. Promote employment quality enhancement project, and build a three-dimensional training system of “bringing in + going out, online + offline, on-site + video, head office + line + branch”.

Talent service guarantee program. Optimize and improve the organizational structure system with clear objectives, clear boundaries, equal rights and responsibilities, simplicity and efficiency, improve the basic compensation system, promote the digital construction of human resources, create a high-quality talent development platform, create conditions for talent gathering and development, and form a talent selection and employment mechanism that is conducive to all kinds of outstanding talents to stand out and fully show their abilities.

(II) Investment value and core competitiveness of the Bank

Development strategy of sticking to our own business and clear orientation. Adhere to the main responsibility and business of supporting “agriculture, rural areas and farmers” and supporting small and micro businesses and serving the real economy, comply with the development trend of the new pattern of double circulations, deeply serve the rural vitalization and development, establish the strategic direction of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, adhere to high-quality and intensive growth, and strive to build the Bank into a “national leading regional bank”.

A corporate culture of “realistic, enterprising, innovative and developing”. Since its establishment, the Bank has always maintained the gene of “benchmark bank culture”, rooted in Chongqing and faced the whole country, been the pioneer, become the first “A + H” share bank in western China by overcoming many difficulties, and become the leading rural commercial bank in China. The Bank inherit the excellent tradition of loyalty and responsibility, tenacity and enterprising, diligence and dedication, and simplicity and obligation, and create an enterprise atmosphere of “want to do things, able to do things, and do things well”.

Scientific, efficient, sustainable and complete management system. As a local corporation, the Bank has few management levels and short decision-making chain, which plays a key role in the development of adapting to market changes and seeking innovation. Keep adhering to refined management, integrate it into the corporate culture, establish the risk management, operation management, technology management, human resource management and financial management system and their abilities, and constantly promote the management of important management areas with advanced enterprises as the benchmark, so as to achieve the benefit from management and promote the development with management.

Digital and intelligent technology empowerment. Adhere to “propelling the Bank with technology”, set up a special financial technology center, covering four major fields such as business, data, technology and channels, and build a digital rural commercial bank in an all-round way. Adhere to independent innovation, occupy the commanding height of technology, create the “three heights” cloud services, promote the “three stages” of data governance, and build the “three modules” of intelligent operation, which jointly support seven integrated major digital business capabilities, including intelligent risk control, precise marketing, efficient operation, online and offline integration, refined management, high-quality experience and cooperative ecology.

Retail finance with significant advantages and potential. The strategic retail transformation takes building “a bank with best customer experience” as the goal, promotes three transformations of new thinking, new concept and new mechanism, makes use of traditional advantages such as outlets across Chongqing, well-known brands and leading client base as well as three modern advantages of new technology, new channel and new system, takes customer as the center, implements the “five attitudes” strategy of retail finance, build an ecological platform, a financial life circle and a core brand, deeply taps the potential of customers, and promote retail finance to constantly release potentials.

Corporate finance with green development and intensive cultivation. The Bank has established a “1+3+22+N” green financial system to develop green credit and green financial products, and comprehensively promote the construction of green financial benchmark bank. Implement the “1 + 2 + 3” strategy to deepen and penetrate corporate finance. Seize a major strategic opportunity, namely, the national strategic opportunity of the two-city economic circle in Chengdu-Chongqing area; establish two service modes to drive online and intelligent improvement of financial services through technological innovation, so as to create professional, accurate and appropriate “expert” services and comprehensive, efficient and high-quality “housekeeping” services; by focusing on the three main directions, try hard to adjust the debt structure, strictly control the cost of interest payment, and expand the fee and commission income.

Integrated and collaborative financial market business. Take “integrated financial market operator” as the goal, act collaboratively in the manner of “united as one team” of the Group, take “settlement and clearing + trust” as the support, take “investment + wealth management” as the approach, promote the three-level linkage of interbank, business line and head office-branch, constantly tap the cooperation potentials of interbank customers, and form a whole chain customer group service system of “investment + capital + trust + investment bank”.

(III) Implementation of the Bank's development strategy

During the Reporting Period, the Bank adhered to implement the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, adhering to retail as the basis of the Bank's development and survival to create distinctive retail brands with outstanding contributions and market leadership; adhering to financial technology (“fintech”) as the Bank's innovation “engine” and driving force for growth to build a fintech platform that is autonomous, controllable, intelligent, efficient, and leading the development; adhering to talents as the Bank's core resources and precious treasure to build a high-quality talent team and to promote high-quality development across the Bank.

1. *Deeply cultivate the retail market, and achieve remarkable results in transformation and development.*

The Bank strives to implement the strategy of “anchoring the Bank with retail”, create an ecological circle to enrich marketing scenarios, tap the potential of customers by precise marketing, and continuously improve the advantages of traditional features, achieving remarkable results in retail transformation of the Bank. In 2021, the proportion of retail loans and the proportion of business revenue amounted to 47.33% and 40.51%, respectively, representing a year-on-year increase of 4.69 percentage points and 1.64 percentage points respectively, increasing for five consecutive years. The proportion of profit before tax from retail business amounted to 56.46%, ranking first in the Group for three consecutive years.

Accelerate the layout of BBC ecosystem. New marketing scenarios have taken shape and achieved results. The Bank enriched the financial ecosystem around the scenarios of “food, accommodation, travel, shopping and entertainment, medical care”, deeply bound with merchants by “merchant code + system”, and strengthened linkage and drainage, promoting the rapid growth of merchant scale and business contribution and forming new business growth points. By the end of 2021, the number of effective merchants amounted to 401,500, representing an increase of 151.25% as compared with the end of last year, and the cumulative number of transactions amounted to 345 million, with a turnover of RMB47.559 billion, representing a year-on-year increase of 22.64 times and 41.83 times respectively. Merchants have become an effective channel to promote the further linkage development of personal, small and micro and corporate businesses. The AUM balance and LUM balance of merchants amounted to RMB34.849 billion and RMB17.591 billion respectively, representing an increase of 111.38% and 150.41% as compared to the end of the previous year, and as a result, the credit card balance has reached RMB9.143 billion, representing an increase of 82.75% as compared to the end of the previous year.

Build a precise marketing service system, and dig deeper into the comprehensive value of customers. On the basis of a large number of retail customers of the Bank, the Bank used big data thinking and modern scientific and technological means to promote deeper digging, label management and further value enhancement of customer data. The Bank proactively used financial technology to identify customers, developed 165 customer labels, and initially established a multi-dimensional customer label system of “subject, behavior and contribution”, laying a good foundation for “creating products for customers and finding customers for products”. In 2021, the number of VIP customers of the Bank increased by 212,200 on a net basis, representing an increase of 9.59%, and the balance of financial assets of VIP customers increased by RMB46.962 billion on a net basis, representing an increase of 9.03%; and the number of active customers amounted to 17,092,800, representing an increase of 471,400 as compared to the end of the previous year, realizing the “double increase” of target customers and customer contributions.

Inclusive finance’s unique advantages are constantly increasing based on Sannong and small and micro markets. The Head Office integrated the establishment of inclusive finance line, enhanced professional competitiveness by optimizing the structure, and continuously amplified the management efficiency and business synergy. The Head Office made full use of the advantages of online intelligent platform and offline service channels, established a customer intelligent marketing service model, and replaced a large number of manual operations with an intelligent and self-help loan-making model. As of the end of 2021, the number of inclusive small and micro enterprise loans¹ of the Bank amounted to 152,400, representing an increase of 23,800 as compared with the end of previous year. The loan balance amounted to RMB96.172 billion, representing an increase of RMB21.444 billion as compared with the end of previous year, with a growth rate of 28.70%. The number of inclusive small-and micro enterprise loans and the market share of the balance continue to maintain the first in Chongqing. The Bank seized the strategic opportunity of rural revitalization, fully interconnected with market entities and industrial demands. The balance of agricultural loans² amounted to RMB195.774 billion, representing an increase of RMB25.36 billion as compared with the end of previous year, with an increase of 2.45 times as compared with the same period of previous year.

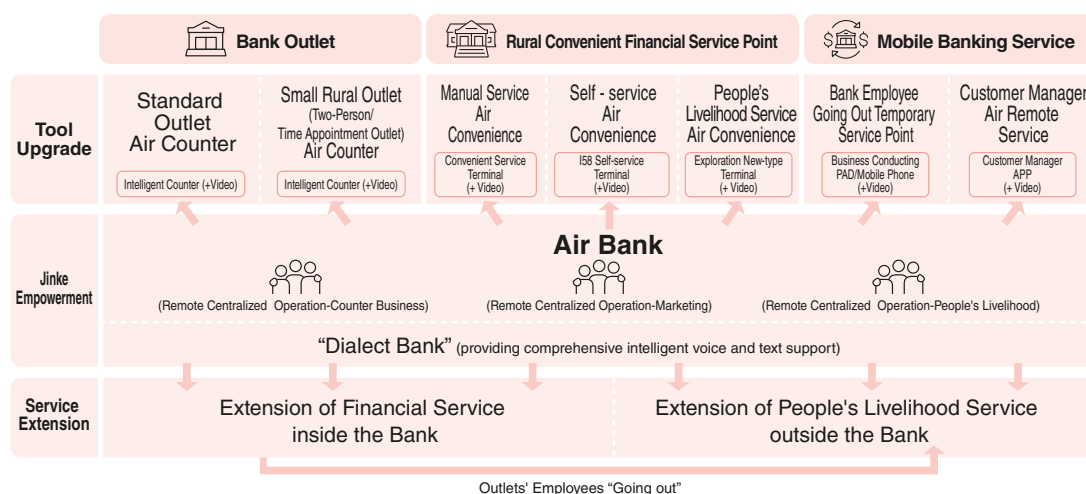
¹ Inclusive small and micro enterprise loans refer to small and micro enterprises loans, individual business owners, and small and micro enterprise owners business loans with total individual credit amount below RMB10 million (inclusive), excluding bill discount and transfer discount.

² The agricultural loans refer to loans to farmers, loans to rural enterprises and various organisations, loans to urban enterprises and various organisations directing to activities related to agriculture, forestry, animal husbandry and fishery industry as well as supporting agriculture and rural development in accordance with the “Special Statistics System of Agricultural Loans” (《涉農貸款專項統計制度》) (Yin Fa [2007] No. 246).

- Adhere to the guidance of science and technology and accelerate the digital transformation.

Focusing on the strategy of “propelling the Bank with technology” and aiming at building a “digital rural commercial bank”, the Bank has continuously increased R&D investment, expanded the talent team and improved its basic strength. After years of unremitting efforts, the Bank has stepped into a new stage of “accumulation into potential” of “deepening the application of digital technology, fully releasing the value of financial technology and promoting digital transformation with high quality” from the stage of “erecting columns and beams” of “laying the foundation, building the platform and creating products”.

Support the characteristic digital operation of the Bank by using the perception and cognition engine. The Bank has built a perception and cognition engine including 21 standard capabilities of 7 platforms, which has been applied to hundreds of scenarios across the Bank, providing digital manpower of more than 200 traditional persons, effectively supporting special services such as “dialect banking” and “air banking”, realizing the rapid promotion of remote video services in offline outlets, successfully migrating nearly 90% of traditional over-the-counter transactions, and running in nearly 400 outlets, greatly improving the traditional work efficiency. The project of “Bank Intelligent Digitization Engine for Perception and Cognition” was listed as the “benchmark project” for the management improvement of the SASAC of the State Council, which was supported by the special innovation fund of RMB2 million from the SASAC of Chongqing, and won the third prize of the 2020 Financial Technology Development Award of the PBOC. The Bank is one of the two award-winning rural credit cooperatives in China, and the project is the only award-winning project of Chongqing’s financial system.



Build an autonomous endless loop of digital risk control to improve the online whole-process risk control level. The Bank has deployed and perfected four key digital risk control teams, namely anti-fraud, decision-making, post-lending and model strategy, to form a digital risk control system for the whole credit process, such as pre-lending anti-fraud, smart decision-making during lending, post-lending digital early warning, overdue smart collection and online dispute arbitration. The full-link anti-fraud system monitored more than 500 million incidents in 2021, effectively blocking risks. The digital credit decision-making system comprehensively covers online and offline credit, mortgage, installment, pledge, guarantee and other products of the Bank. The Bank implemented differentiated interest rates in online products such as “Yukuai Loan” and “Yuyue Loan”, with over 100 million decision-making services throughout the year. The post-loan management system and the online big data post-loan early warning system integrates online products and offline small and micro post-loan early warning, realizing the organic combination of “comprehensive systematic monitoring + targeted manual management”. Intelligent collection has covered more than 60% of retail loan assets of the Bank. The Bank promoted the empowerment of data strategy models, formulated active credit approval and pricing strategies, and initially completed the risk model building of the whole process from marketing to risk credit. The project of “Intelligent Brain Built with Big Data, Cloud Computing and Artificial Intelligence” won the gold prize of the Comprehensive Wisdom Platform of 2021 China Financial Digital Technology Innovation Competition sponsored by the Joint Publicity Year of E-banking in China and the Network of E-banking in China.

Formulate and implement data standards and build the best practices of data governance in rural commercial banks. The Bank started the data middle office construction project, formulated data standards and implemented them consistently in the big data platform, realizing “easy finding”, “easy reading” and “good use” of data resources. The Bank established a data supply and production chain, met differentiated data needs, organically integrated internal and external data, and opened up data islands. The Bank comprehensively integrated and optimized the access and use of external data. The external data integrated management platform provided nearly 100 external data service interfaces for the Bank, with an average daily query volume of over 100,000 times inside and outside the Bank. The Bank’s data governance work has passed the inspection by the CBIRC, and the Bank has become a member of the Steering and Coordination Committee of Senior Experts on Data Governance of the CBIRC, and its achievements have won the “Best Practice Award for Data Governance” of the financial industry issued by the China Data Management Summit of the Data Management Association International (DAMA).

3. *Consolidate and strengthen the foundation to strengthen the team construction, and empower the Bank with talents to promote development*

The Bank proactively promoted the strategy of “empowering the Bank with talents”, and explored new mechanisms and initiatives for recruiting, training, deploying, motivating, and disciplining human resources of the Bank under the new situation, as a result of which the staff structure has been gradually optimized, the quality of the team has been significantly improved, and the talent efficiency has been gradually improved.

Continue to increase the introduction of talents. The Bank has enriched the talent introduction channels of the “school recruitment + social recruitment”, “open recruitment + headhunting search”, and introduced high-level and key positions of core talents urgently needed in business management in accordance with the principle of “one matter, one approach; one person, one strategy”. The Bank recruited employees by region, level and job type to inject “fresh blood” for the sustainable development of talents. To meet the needs of financial innovation, transformation and development, the Bank increased the introduction of compound, professional and innovative talents, as a result of which the proportion of financial technology talents increased to 3%.

Constantly optimize the talent structure. The Bank adhered to the total amount control to guide employees to move reasonably between the front and back offices, the Head Office and branches, and the main city and non-main cities. The Bank optimized the allocation of human resources, and continued to promote the inclination of human resources to the front line of marketing, so that the structure of customer managers and tellers was continuously optimized, and the utilization efficiency of human resources was significantly improved. The role of talents has been brought into full play, and indicators such as total assets per capita and net profit per capita have been gradually improved. The Bank promoted the quality improvement project for all employees, with 76% of them having bachelor’s degree or above.

Fully stimulate the vitality of talents. The Bank strengthened the evaluation of ranks and positions, and promoted the promotion and demotion of position levels and the increase and decrease of remuneration. The Bank improved the basic salary system, paid social insurance premiums according to laws, improved and supplemented the medical insurance and enterprise annuity mechanism, so as to protect the legitimate rights and interests of talents. The Bank intensified the investigation and research, exchange and study, and the up-appointment and down-transfer of talents. The Bank optimized the M-learning study platform, intensified live broadcast and video training, and improved the system of “inviting in + going out, online + offline, live + video”. The Bank conducted 2019 training sessions of various types with 360,000 participants throughout the year.

IV. Honors and Awards

The Bank ranked No. 119 among the “Top 1,000 World Banks 2021” in The Bankers of the UK, up 3 places over the previous year.

The Bank ranked 761st in Forbes magazine’s list of “Top 2,000 Global Enterprises” in 2021, up 54 places over the previous year.

The Bank ranked 22nd in the 2021 China Top 100 Banking List.

The Bank ranked 367th in Fortune China 500 in 2021.

The Bank ranked 392nd in the 2021 Top 500 Chinese Enterprises and 144th in the 2021 Top 500 Chinese Service Enterprises.

The Bank ranked 9th in 2021 Chongqing Top 100 Enterprises and 5th in 2021 Chongqing Top 100 Service Enterprises.

The Bank was listed in the “2020 National Green Data Center List” determined by the Ministry of Industry and Information Technology, the National Development and Reform Commission, the Ministry of Commerce, the National Government Offices Administration, the CBIRC, and the National Energy Administration.

The Bank’s “Digital Bank Management for Perception and Cognition” project was awarded the “Action Benchmarking Project for Key State-owned Enterprises Management Benchmarking” by the SASAC of the State Council.

The Bank’s “Innovative Management of Digital Business Led by Competent Middle Office in Regional Banks” was awarded the “First-class Achievement” of the 28th National Enterprise Management Modernization Innovation Achievement.

The Bank’s “Intelligent Digital Bank Engine for Perception and Cognition” won the 2020 Financial Technology Development Award of the PBOC.

The Bank’s brand case was selected as one of the “100 Typical Cases of Brand Building of State-owned Enterprises and 100 Excellent Brand Stories in 2020” issued by the SASAC of the State Council.

The Bank's case of "Walking on the International Stage and Telling the World the Story of Rural Commercial Banks" was successfully selected as one of the Fourth Cases of International Image Building of Chinese Enterprises.

The Bank won the 2021 China Best Practice Award for Data Governance issued by the Data Management Association International (DAMA).

The Bank won the "Comprehensive Wisdom Platform Gold Award" of 2021 China Financial Digital Technology Innovation Competition issued by the China Electronic Banking Network.

The Bank won the "Popular Star" of 2021 China Financial Digital Technology Innovation Competition issued by the China Electronic Banking Network.

The Bank won the 2020 "Social Responsibility Special Contribution Award", the "Social Responsibility Green Finance Award" and the "Social Responsibility Financial Institution" of Chongqing Banking issued by Chongqing Banking Association.

The Bank's "Innovating to 'Build Dialect Bank' to Improve the Access Rate of Rural Financial Services" and "Launching 'Credit Increasing Loan' to Inject New Kinetic Energy into Financial Services" were awarded the 13th China Economic Outlook Forum and the 2021 China Rural Finance Summit – "Excellent Cases of Rural Finance Supporting Rural Revitalization at a New Starting Point of Comprehensive Well-off Society".

Financial Summary

(The financial information of the Group set forth in this annual report is prepared on a consolidated basis in accordance with the International Financial Reporting Standards and expressed in RMB unless otherwise stated)

(Expressed in RMB million, unless otherwise stated)	2021	2020	Comparison between the year and last year	2019	2018	2017
			Rate of change (%)			
Operating results						
Net interest income	26,234.8	24,248.9	8.19	23,373.7	20,013.9	21,500.7
Net non-interest income	4,614.8	3,933.0	17.34	3,268.7	6,119.1	2,469.3
Among which: net fee and commission income	2,724.2	2,902.9	(6.16)	2,239.0	2,065.8	2,295.6
other net non-interest income	1,890.6	1,030.1	83.54	1,029.7	4,053.3	173.7
Operating income	30,849.6	28,181.9	9.47	26,642.4	26,133.0	23,970.0
Operating expenses	(8,795.7)	(7,909.4)	11.21	(7,835.9)	(8,165.1)	(8,329.5)
Credit impairment losses	(10,852.1)	(10,208.6)	6.30	(6,572.6)	(6,189.5)	N/A
Asset impairment losses	N/A	N/A	N/A	N/A	N/A	(3,710.6)
Profit before tax	11,200.6	10,062.8	11.31	12,233.0	11,772.0	11,959.8
Net profit	9,718.4	8,564.8	13.47	9,988.1	9,164.0	9,008.4
Net profit attributable to shareholders of the Bank	9,559.7	8,401.2	13.79	9,759.9	9,058.2	8,936.0
			Change in amount			
Based on per share (RMB)						
Net assets per share attributable to ordinary shareholders of the Bank ⁽¹⁾	8.89	8.25	0.64	7.77	7.07	6.37
Basic earnings per share ⁽²⁾	0.84	0.74	0.10	0.95	0.91	0.94
Diluted earnings per share ⁽²⁾	0.84	0.74	0.10	0.95	0.91	0.94
			Change (percentage point)			
Profitability indicators (%)						
Average return on total assets ⁽³⁾	0.81	0.79	0.02	1.01	0.99	1.05
Weighted average return on net assets ⁽²⁾	9.82	9.24	0.58	12.75	13.47	15.61
Net interest spread ⁽⁴⁾	2.01	2.08	(0.07)	2.17	2.40	2.44
Net interest margin ⁽⁵⁾	2.17	2.25	(0.08)	2.33	2.45	2.62
Net fee and commission income to operating income	8.83	10.30	(1.47)	8.40	7.90	9.58
Cost-to-income ratio ⁽⁶⁾	27.51	27.09	0.42	28.52	30.31	33.96

(Expressed in RMB million, unless otherwise stated)	31 December 2021	31 December 2020	Comparison between the end of the year and the end of last year	31 December 2019	31 December 2018	31 December 2017
			Rate of change (%)			
Scale indicators						
Total assets	1,266,291.2	1,136,366.6	11.43	1,030,230.2	950,618.0	905,778.1
Among which: Carrying balance of loans and advances to customers	582,166.5	507,885.9	14.63	437,084.9	381,135.6	338,346.6
Allowances for impairment on loans and advances to customers	(24,831.5)	(20,922.5)	18.68	(20,744.1)	(17,109.5)	(14,237.0)
Total liabilities	1,159,807.1	1,041,294.4	11.38	940,427.9	878,469.2	840,532.4
Among which: deposits from customers	759,360.2	724,999.8	4.74	673,401.8	616,166.2	572,184.3
Share capital	11,357.0	11,357.0	–	11,357.0	10,000.0	10,000.0
Equity attributable to shareholders of the Bank	104,952.8	93,668.7	12.05	88,213.5	70,748.2	63,688.7
Non-controlling interests	1,531.3	1,403.5	9.11	1,588.8	1,400.6	1,557.0
Total equity	106,484.1	95,072.2	12.00	89,802.3	72,148.8	65,245.7
			Change (percentage point)			
Assets quality indicators (%)						
Non-performing loan ratio	1.25	1.31	(0.06)	1.25	1.29	0.98
Provision coverage ratio	340.25	314.95	25.30	380.31	347.79	431.24
Provision-to-loan ratio	4.27	4.12	0.15	4.75	4.50	4.21
			Change (percentage point)			
Capital adequacy ratio indicators (%)						
Core Tier 1 capital adequacy ratio ⁽⁷⁾	12.47	11.96	0.51	12.42	10.95	10.39
Tier 1 capital adequacy ratio ⁽⁷⁾	12.98	11.97	1.01	12.44	10.96	10.40
Capital adequacy ratio ⁽⁷⁾	14.77	14.28	0.49	14.88	13.52	13.03
Total equity to total assets ratio	8.41	8.37	0.04	8.72	7.59	7.20
			Change (percentage point)			
Other indicators (%)						
Loan-to-deposit ratio	76.67	70.05	6.62	64.91	61.86	59.13

Financial Summary

Notes:

- (1) Calculated by dividing shareholders' equity attributable to ordinary shareholders of the Bank after the deduction of other equity instruments as at the end of the period by the total number of ordinary share capital as at the end of the period.
- (2) Calculated in accordance with the requirements of the "Rules on the Preparation and Submission of Information Disclosed by Companies that Offer Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share" (Revision 2010) issued by CSRC.
- (3) Average return on total assets represents the net profit for the period (including profit attributable to non-controlling interests) as a percentage of the average balance of total assets as at the beginning and end of the year.
- (4) Calculated as the difference between the average yield on total interest-bearing assets and the average cost rate on total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by average interest-bearing assets.
- (6) Calculated by dividing total operating expenses (excluding taxes and surcharges and other operating cost by operating income.
- (7) Calculated in accordance with the "Regulation Governing Capital of Commercial Banks (Provisional)" promulgated by the CBIRC.

Basis of Preparation of Certain Financial Indicators

Under the IFRSs, the restructuring of the Bank was accounted for as an acquisition of the business from the 39 Rural Credit Unions and Chongqing Rural Credit Cooperative Union (the "CRCU") by the Bank on 27 June 2008 instead of merger accounting due to the fact that there were no same party or parties ultimately controlling the 39 Rural Credit Unions, CRCU and the Bank before and after the restructuring.

Management Discussion and Analysis

I. Overall Operating Analysis

In 2021, the Bank thoroughly implemented various national decision-making arrangements and regulatory requirements, adhered to the market positioning of “serving Sannong, serving small and medium-sized enterprises and serving county-level economy”, deepened the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, proactively responded to market changes, and maintained a steady and good development trend, with the following characteristics of operation:

The operation development has achieved “three steady progresses”. The scale of business has been growing steadily, with total assets of RMB1,266.291 billion, representing an increase of RMB129.925 billion as compared to the end of the previous year, with deposit balance of RMB759.360 billion, representing an increase of RMB34.360 billion as compared to the end of the previous year, with loan balance of RMB582.167 billion, representing an increase of RMB74.281 billion as compared to the end of the previous year, and the scale of assets, deposits and loans ranked first in Chongqing. The operating efficiency has improved steadily, with operating revenue of RMB30.850 billion, representing a year-on-year increase of 9.47%, with net profit of RMB9.718 billion, representing a year-on-year increase of 13.47%, and the non-performing loan ratio decreased by 0.06 percentage point as compared to the end of the previous year. The Group’s coordinated development has made steady progress. The total assets of financial leasing companies increased by RMB6.22 billion as compared to the end of the previous year, and the provision coverage ratio was at a good level in the industry. The wealth management subsidiaries operated smoothly, and fully completed the transformation of net worth. The capital strength, asset quality and other indicators of 12 village and town banks are generally improving, ranking among the top of similar institutions in the country.

The structural adjustment has achieved “three continuous optimizations”. The structure of assets continued to be optimized, with loans accounting for 45.97% of total assets, representing an increase of 1.28 percentage points as compared to the end of the previous year. Retail loans accounted for 47.33% of total loans, representing an increase of 4.69 percentage points as compared to the end of the previous year, driving the proportion of retail business revenue to exceed 40%, and the transformation effect was constantly showing. Risk indicators continued to be optimized, with the capital adequacy ratio of 14.77%, representing an increase of 0.49 percentage point as compared to the end of the previous year. The growth rate of risk-weighted assets was 8.08 percentage points lower than that of total assets, and the average risk weight of on-balance sheet and off-balance sheet assets decreased by 4.48 percentage points as compared to the end of the previous year. The team structure was continuously optimized. The Bank played the decisive role of the market in the distribution of talents, and introduced financial technology, green finance and other professional talents, with financial technology talents accounting for 3% of total talents. In addition, the Bank promoted the project of improving the quality of all employees, with 76% of employees having bachelor's degree or above.

The reform and innovation show “three full affirmations”. The experience of restructuring has been fully affirmed, and the higher authority has fully affirmed the experience and effectiveness of the Bank's reform and development. The regulatory assessment was fully affirmed. The Bank ranked “the first echelon” of the 2021 corporate governance supervision rating by the CBIRC. The market image has been fully affirmed. The Bank's global banking ranking has increased by 3 places to 119 places. The Bank has been selected as one of the “Excellent Brand Stories of Local State-owned Enterprises”. The smart digitization project has been awarded as the benchmark project of state-owned enterprise management by the SASAC of the State Council, and the “Telling the World the Stories of Rural Commercial Banks” has been selected as the case of international image building of Chinese enterprises. The Bank won the “Market Influence Award of the Year” and the “Market Innovation Award” issued by the China Foreign Exchange Trade System in 2021, both of which ranked first among rural commercial banks.

II. Financial Review

(I) Income Statement Analysis

(Expressed in RMB million, unless otherwise stated)	2021	2020	Change in amount	Rate of change (%)
Net interest income	26,234.8	24,248.9	1,985.9	8.19
Net non-interest income	4,614.8	3,933.0	681.8	17.34
Including: Net fee and Commission income	2,724.2	2,902.9	(178.7)	(6.16)
Net other non-interest income	1,890.6	1,030.1	860.5	83.54
Operating income	30,849.6	28,181.9	2,667.7	9.47
Operating expenses	(8,795.7)	(7,909.4)	(886.3)	11.21
Impairment losses on credit assets	(10,852.1)	(10,208.6)	(643.5)	6.30
Impairment losses on other assets	(1.2)	(1.1)	(0.1)	9.09
Profit before tax	11,200.6	10,062.8	1,137.8	11.31
Income tax expense	(1,482.2)	(1,498.0)	15.8	(1.05)
Net profit	9,718.4	8,564.8	1,153.6	13.47

In 2021, the Group insisted on serving the real economy. Its various business showed a trend of robust progress. The operating results achieved steady progress and profitability was continuously enhanced. The Group recorded an operating income of RMB30.850 billion, representing a year-on-year increase of RMB2.668 billion or 9.47%. It recorded a net profit of RMB9.718 billion, representing a year-on-year increase of RMB1,154 million or 13.47%.

1. Net interest income

The following table sets forth, for the years indicated, the interest income, interest expense and net interest income of the Group:

(Expressed in RMB million, unless otherwise stated)	2021	2020	Change in amount	Rate of change (%)
Interest income	51,749.1	45,859.0	5,890.1	12.84
Interest expense	(25,514.3)	(21,610.1)	(3,904.2)	18.07
Net interest income	26,234.8	24,248.9	1,985.9	8.19

Management Discussion and Analysis

In 2021, the Group recorded a net interest income of RMB26.235 billion, representing a year-on-year increase of RMB1,986 million or 8.19%. Among which, the loan interest income accounted for 55.83% of the interest income, representing a year-on-year increase of 2.17 percentage points.

(1) Net interest spread and net interest margin

The table below sets forth, for the years indicated, the average balances of interest-bearing assets and interest-bearing liabilities of the Group, related interest income or interest expense and average yields (for assets) or average costs rate (for liabilities). The analysis below excludes the impact of capital-preserve type of customer-driven wealth management products and lease liabilities on the interest income and expense and average balances.

(Expressed in RMB million, unless otherwise stated)	Average balance	2021 Interest income/ expense	Average yield/cost rate (%)	Average balance	2020 Interest income/ expense	Average yield/cost rate (%)
Assets						
Loans and advances to customers	555,385.1	28,893.4	5.20	470,306.7	24,605.9	5.23
Financial investment	436,875.5	16,886.6	3.87	367,946.1	15,013.8	4.08
Balances with Central Bank	58,274.2	895.8	1.54	61,648.2	932.0	1.51
Due from banks and other financial institutions	159,992.9	5,073.3	3.17	178,902.1	5,265.0	2.94
Total interest-bearing assets	1,210,527.7	51,749.1	4.27	1,078,803.1	45,816.7	4.25
Liabilities						
Deposits from customers	745,999.9	14,756.0	1.98	709,324.9	13,982.4	1.97
Borrowings from Central Bank	67,454.1	1,808.8	2.68	41,157.5	1,197.0	2.91
Due to banks and other financial institutions	109,017.8	2,864.8	2.63	92,380.4	1,991.6	2.16
Debt securities issued	204,664.7	6,079.0	2.97	149,273.3	4,390.4	2.94
Total interest-bearing liabilities	1,127,136.5	25,508.6	2.26	992,136.1	21,561.4	2.17
Net interest income	-	26,240.5	-	-	24,255.3	-
Net interest spread⁽¹⁾	-	-	2.01%	-	-	2.08%
Net interest margin⁽¹⁾	-	-	2.17%	-	-	2.25%

Note: (1) Net interest spread refers to the difference between the average yield of interest-bearing assets and the average cost rate of interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

In 2021, the Group's net interest spread was 2.01%, representing a year-on-year decrease of 7 basis points and net interest margin was 2.17%, representing a year-on-year decrease of 8 basis points. Firstly, the Group proactively employed monetary policy tool introduced by the Central Bank to practically reduce the financing cost of the enterprise; secondly, affected by the continuous impact of the LPR re-pricing, the loan yield rate recorded a year-on-year decrease; thirdly, the segment revenue narrowed in the industry.

The following table sets forth the changes in the Group's interest income and interest expense due to changes in volume and interest rate. Changes in volume are measured by the movement of the average balance, while changes in the interest rate are measured by the movement of the average interest rate:

(Expressed in RMB million, unless otherwise stated)	Volume factor	Rate factor	Changes in amount of interest income and expense
Assets			
Loans and advances to customers	4,424.1	(136.6)	4,287.5
Financial investments	2,667.6	(794.8)	1,872.8
Balances with Central Bank	(52.0)	15.8	(36.2)
Due from banks and other financial institutions	(599.4)	407.7	(191.7)
Changes in interest income	6,440.3	(507.9)	5,932.4
Liabilities			
Deposits from customers	726.2	47.4	773.6
Borrowings from Central Bank	704.7	(92.9)	611.8
Due to banks and other financial institutions	437.6	435.6	873.2
Debt securities issued	1,645.1	43.5	1,688.6
Changes in interest expense	3,513.6	433.6	3,947.2
Net changes in interest income	2,926.7	(941.5)	1,985.2

Net interest income increased by RMB1,985 million year-on-year, which was mainly due to the fact that the increase of RMB2,927 million of net interest income was driven by the changes in the average balance of various assets and liabilities and the decrease of RMB942 million of net interest income was attributable to the changes in the average yield and the average cost rate.

(2) Interest income

In 2021, the interest income of the Group amounted to RMB51,749 million, representing a year-on-year increase of RMB5,890 million or 12.84%, which was mainly due to the steady growth in loans and advances to customers and the scale of financial investments and assets of the Group. The details are as follows:

Management Discussion and Analysis

① Interest Income from Loans and Advances to Customers

The average balance, interest income and annualised average yield for each component of loans and advances to customers of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans	286,610.4	14,116.9	4.93	265,547.9	13,186.7	4.97
General short-term loans	77,622.1	3,306.0	4.26	96,152.3	4,184.6	4.35
Medium and long-term loans	208,988.3	10,810.9	5.17	169,395.6	9,002.1	5.31
Retail loans	251,467.5	14,331.2	5.70	182,190.7	10,863.7	5.96
General short-term loans	109,677.0	6,616.8	6.03	67,113.0	4,370.5	6.51
Medium and long-term loans	141,790.5	7,714.4	5.44	115,077.7	6,493.2	5.64
Discounted bills	17,307.2	445.3	2.57	22,568.1	555.5	2.46
Total loans and advances to customers	<u>555,385.1</u>	<u>28,893.4</u>	<u>5.20</u>	<u>470,306.7</u>	<u>24,605.9</u>	<u>5.23</u>

The interest income from loans and advances to customers amounted to RMB28.893 billion, representing a year-on-year increase of RMB4.288 billion or 17.42%, which was mainly attributable to the fact that the Group earnestly supported the development of real economy and average balance of corporate loans and retail loans achieved faster growth.

② Interest Income from Financial Investments

The average balance, interest income and average yield for each component of financial investments of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Financial assets measured at amortised cost	413,457.9	16,150.4	3.91	355,888.2	14,617.8	4.11
Financial assets measured at fair value through other comprehensive income	23,417.6	736.2	3.14	12,057.9	396.0	3.28
Total financial investments	<u>436,875.5</u>	<u>16,886.6</u>	<u>3.87</u>	<u>367,946.1</u>	<u>15,013.8</u>	<u>4.08</u>

In 2021, interest income from financial investments amounted to RMB16.887 billion, representing a year-on-year increase of RMB1.873 billion or 12.47%. This was mainly attributable to the fact that the Group continuously optimized investment strategies of financial assets and moderately improved investment scale of financial assets on the basis of maintaining a balance between liquidity and profitability.

③ Interest income from Balances with Central Bank

The Group's interest income from balances with Central Bank amounted to RMB896 million, representing a year-on-year decrease of RMB36 million or 3.88%, mainly due to the fact that the PBOC lowered the reserve requirement ratio.

④ Interest Income from Due from Banks and Other Financial Institutions

The average balance, interest income and average yield for each component of due from banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Deposits and placements with banks and other financial institutions	126,681.7	4,409.2	3.48	147,108.7	4,743.1	3.22
Financial assets held under resale agreements	33,311.2	664.1	1.99	31,793.4	521.9	1.64
Total due from banks and other financial institutions	159,992.9	5,073.3	3.17	178,902.1	5,265.0	2.94

In 2021, the Group's interest income due from banks and other financial institutions amounted to RMB5,073 million, representing a year-on-year decrease of RMB192 million or 3.64%, mainly due to the fact that the Group provided greater credit support and reduced the proportion of the assets allocation of banks.

Management Discussion and Analysis

(3) Interest expense

In 2021, the interest expense of the Group was RMB25.514 billion, representing a year-on-year increase of RMB3.904 billion or 18.07%, mainly driven by the increase of interest-bearing liabilities of the Group. The details are analyzed as follows:

① Interest Expense on Deposits from Customers

The average balance, interest expense and average cost rate for each component of deposits from customers of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2021			2020		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Demand deposit	108,847.5	700.0	0.64	126,145.3	857.8	0.68
Time deposit	51,651.1	1,491.0	2.89	37,904.8	1,049.6	2.77
Subtotal corporate deposits	160,498.6	2,191.0	1.37	164,050.1	1,907.4	1.16
Demand deposit	122,545.5	394.8	0.32	125,516.9	668.1	0.53
Time deposit	462,955.8	12,170.2	2.63	419,757.9	11,406.9	2.72
Subtotal personal deposits	585,501.3	12,565.0	2.15	545,274.8	12,075.0	2.21
Total deposits from customers	<u>745,999.9</u>	<u>14,756.0</u>	<u>1.98</u>	<u>709,324.9</u>	<u>13,982.4</u>	<u>1.97</u>

In 2021, the interest expense on deposits from customers amounted to RMB14,756 million, representing a year-on-year increase of RMB774 million or 5.53%. The interest payment rate on deposits from customers was 1.98%, representing a year-on-year increase of 1 basis point. The Group proactively consolidated its core liability, on the one hand, it continued to leverage outlet, personnel and product advantages and stabilized the growth of the deposit; and on the other hand, taking into the overall consideration of the interest rate marketization and industry competition, the Bank adopted more refined control measures on the deposit structure, improved the product pricing system and matched with precise marketing to reasonably control deposit costs.

② Interest Expense on Borrowings from Central Bank

In 2021, interest expense on borrowings from Central Bank amounted to RMB1,809 million, representing a year-on-year increase of RMB612 million or 51.11%, mainly due to the fact that the Bank proactively used the re-loans in support of small enterprises, re-loans in support of agriculture and funds for rediscounting from Central Bank to support the development of real economy, with the year-on-year increase of RMB26,297 million or 63.89% on average balance of borrowings from Central Bank.

③ Interest Expense on Due to Banks and Other Financial Institutions

The average balance, interest expense and average cost rate for each component of due to banks and other financial institutions of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2021			2020		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Amounts from banks and other financial institutions	67,656.4	2,025.6	2.99	50,533.1	1,299.1	2.57
Financial assets sold under repurchase agreements	41,361.4	839.2	2.03	41,847.3	692.5	1.65
Total amount due to banks and other financial institutions	109,017.8	2,864.8	2.63	92,380.4	1,991.6	2.16

In 2021, the Group's interest expense on due to banks and other financial institutions amounted to RMB2,865 million, representing a year-on-year increase of RMB873 million or 43.84%, mainly due to the increase in the average interbank balance and interbank cost of capital.

Management Discussion and Analysis

④ Interest Expense on Issued Debt Securities

The average balance, interest expense and average cost rate for each component of interest expense on issued debt securities of the Group are set forth as follows:

(Expressed in RMB million, unless otherwise stated)	2021			2020		
	Average balance	Interest expense	Average cost rate (%)	Average balance	Interest expense	Average cost rate (%)
Debt Securities Payable	28,348.6	1,029.7	3.63	25,515.3	966.0	3.79
Interbank deposit certificate	176,316.1	5,049.3	2.86	123,758.0	3,424.4	2.77
Total Issued Debt Securities	204,664.7	6,079.0	2.97	149,273.3	4,390.4	2.94

In 2021, the interest expenses on issued debt securities of the Group amounted to RMB6,079 million, representing a year-on-year increase of RMB1,689 million or 38.46%, primarily due to increasing the issuance of the interbank deposit certificate and debt securities payable, which resulted in an increase in the average balance of debt securities issued.

2. Net non-interest income

In 2021, the Group's net non-interest income amounted to RMB4,615 million, representing a year-on-year increase of RMB682 million or 17.34%, accounting for 14.96% of the operating income, representing a year-on-year increase of 1 percentage point.

(1) Net fee and commission income

The following table sets forth, for the years indicated, net fee and commission income of the Group:

(Expressed in RMB million, unless otherwise stated)	2021	2020	Change in amount	Rate of change (%)
Subtotal fee and commission income	2,902.0	3,010.6	(108.6)	(3.61)
Wealth management fees	1,638.5	1,937.0	(298.5)	(15.41)
Agency and fiduciary service fees	454.3	370.2	84.1	22.72
Bank card fees	194.3	165.0	29.3	17.76
Settlement and clearing fees	132.2	134.3	(2.1)	(1.56)
Others	482.7	404.1	78.6	19.45
Fee and commission expense	(177.8)	(107.7)	(70.1)	65.09
Total net fee and commission income	<u>2,724.2</u>	<u>2,902.9</u>	<u>(178.7)</u>	<u>(6.16)</u>

In 2021, the net fee and commission income of the Group amounted to RMB2,724 million, representing a year-on-year decrease of RMB179 million or 6.16%. The net fee and commission income accounted for 8.83% of the operating income.

Wealth management fees amounted to RMB1,639 million, representing a year-on-year decrease of RMB299 million or 15.41%, mainly due to the decrease in the asset yield of the financial investment market.

Agency and fiduciary service fees amounted to RMB454 million, representing a year-on-year increase of RMB84 million, mainly due to the good growth of the Group's wealth management business, insurance agency business and underwriting business.

Bank card fees amounted to RMB194 million, representing a year-on-year increase of RMB29 million, mainly attributed to the growth of the Group's merchant business.

Settlement and clearing fees amounted to RMB132 million, representing a year-on-year decrease of RMB2 million, which remained stable.

Management Discussion and Analysis

(2) Net other non-interest income

The following table sets forth, for the years indicated, net other non-interest income of the Group:

(Expressed in RMB million, unless otherwise stated)	2021	2020	Change in amount	Rate of change (%)
Net trading gain or loss	1,239.1	767.5	471.6	61.45
Other net business gain	526.2	224.7	301.5	134.18
Share of net profits from associates	1.1	0.3	0.8	266.67
Net gain resulted from derecognition of financial assets at fair value through other comprehensive income	119.2	36.6	82.6	225.68
Net gain resulted from derecognition of financial assets measured at amortised cost	5.0	1.0	4.0	400.00
Total net other non- interest income	<u>1,890.6</u>	<u>1,030.1</u>	<u>860.5</u>	<u>83.54</u>

In 2021, the Group's net other non-interest income was RMB1,891 million, representing a year-on-year increase of RMB861 million or 83.54%, mainly due to the fact that net gains and losses resulted from transactions of financial assets at fair value through profit and loss increased, as well as the Group increased financial support for stabilizing enterprises and preserving employment and increased net revenue from the interest rate swap business with the Central Bank for deferring capital repayment for inclusive small and micro enterprises.

3. *Operating expenses*

The following table sets forth, for the years indicated, the operating expenses of the Group:

(Expressed in RMB million, unless otherwise stated)	2021	2020	Change in amount	Rate of change (%)
Staff costs	5,499.1	4,841.7	657.4	13.58
Salaries, bonuses and allowances	3,621.7	3,532.1	89.6	2.54
Staff benefits, social insurance premiums, housing provident fund	1,339.1	877.2	461.9	52.66
Others	538.3	432.4	105.9	24.49
Taxes and surcharges	286.8	273.6	13.2	4.82
Depreciation and amortisation	829.8	849.7	(19.9)	(2.34)
Other general and administrative costs	2,159.0	1,944.4	214.6	11.04
Other operating cost	21.0	–	21.0	100.00
Total operating expenses	<u>8,795.7</u>	<u>7,909.4</u>	<u>886.3</u>	<u>11.21</u>

In 2021, the operating expenses of the Group amounted to RMB8,796 million, representing a year-on-year increase of RMB886 million or 11.21%.

(1) Staff Costs

Staff costs were the largest component of operating expenses of the Group, accounting for 62.52% and 61.21% of its total operating expenses for 2021 and 2020 respectively.

In 2021, staff costs amounted to RMB5.499 billion, representing a year-on-year increase of RMB657 million or 13.58%. Among which, staff benefits, social insurance premiums and housing provident fund increased by RMB462 million or 52.66% year-on-year, mainly due to the fact that, under the spirit of the relevant instructions on pandemic prevention and control, the Group's social insurance contributions for its employees can enjoy certain stage reductions and concessions in previous period. Other staff costs increased by RMB106 million year-on-year, mainly due to an increase in the actuarial cost driven by the Group's adjustment to the supplementary medical insurance expense.

(2) Taxes and Surcharges

Taxes and surcharges mainly relate to revenue generated from loans (interest income), transfer of securities and other financial products and services. In 2021, taxes and surcharges amounted to RMB287 million, representing a year-on-year increase of RMB13 million or 4.82%, which was mainly due to the increase in the taxes such as value-added tax and surcharges, driven by the continued increase in the Group's taxable income.

(3) Depreciation and Amortization

In 2021, the depreciation and amortization amounted to RMB830 million, representing a year-on-year decrease of RMB20 million, which was basically stable.

(4) Other General and Administrative Expenses

In 2021, other general and administrative expenses amounted to RMB2,159 million, representing a year-on-year increase of RMB215 million or 11.04%, which was mainly due to the fact that the Group increased investments in promotion and technology of the business development and the fees such as business promotion fee related to the business development and electronic equipment maintenance fee increased.

(5) Other Operating Cost

In 2021, the Group's other operation cost amounted to RMB21 million, which mainly due to the fact that the Group carried out operating lease business, thereby generating operating lease cost.

4. *Impairment loss*

The following table sets forth, for the years indicated, the impairment loss of the Group:

(Expressed in RMB million, unless otherwise stated)	2021	2020	Change in amount	Rate of change (%)
Impairment loss on credit on loans and advances to customers	11,051.0	9,459.2	1,591.8	16.83
Impairment loss on credit on financial investments	(218.4)	828.3	(1,046.7)	(126.37)
Impairment loss on other credit	19.5	(78.9)	98.4	(124.71)
Impairment losses on other assets	1.2	1.1	0.1	9.09
Total impairment loss	10,853.3	10,209.7	643.6	6.30

In 2021, the Group's impairment loss was RMB10,853 million, representing a year-on-year increase of RMB644 million or 6.30%. Among which, impairment losses on loans and advances to customers increased by RMB1,592 million year-on-year, mainly due to the fact that based on the principle of prudence and forward-looking, the Group made impairment provision in the face of the epidemic and uncertainties of macro economy.

The impairment losses on financial investments decreased by RMB1,047 million year-on-year, mainly due to the fact that the Group consolidated the risk valuation, prevention and control system, and the asset quality of the financial investments continued to deliver good performance.

Other credit impairment losses increased by RMB98 million year-on-year, mainly due to the fact that the Group made reasonable provision according to scale development of business.

Management Discussion and Analysis

5. Income tax expense

The following table sets forth the profit before tax and income tax expense of the Group for the years indicated:

(Expressed in RMB million, unless otherwise stated)	2021	2020	Change in amount	Rate of change (%)
Profit before tax	11,200.6	10,062.8	1,137.8	11.31
Tax calculated at applicable statutory tax rate	2,707.3	2,426.4	280.9	11.58
Add/(less) the tax effect of the following items:				
Non-deductible expenses	85.3	57.8	27.5	47.58
Non-taxable income	(1,304.9)	(988.9)	(316.0)	31.95
Others	(5.5)	2.7	(8.2)	(303.70)
Income tax expense	<u>1,482.2</u>	<u>1,498.0</u>	<u>(15.8)</u>	<u>(1.05)</u>

In 2021, income tax expense amounted to RMB1,482 million, representing a decrease of RMB16 million year-on-year. The effective income tax rate was 13.23%, lower than the statutory rate of 25%, which was mainly due to the fact that the Group continued to optimize the investment structure of its business and held certain statutory tax-exempt treasury bonds and local government bonds on the basis of balancing risks and returns, thereby reducing the effective income tax rate.

(II) Analysis on Balance Sheet

1. Assets

The following table sets forth, as at the dates indicated, the composition of the Group's total assets:

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Net loans and advances to customers	557,335.0	44.01	486,963.4	42.85	70,371.6	14.45
Carrying balance of loans and advances to customers	582,166.5	45.97	507,885.9	44.69	74,280.6	14.63
Allowances for impairment on loans and advances to customers ⁽¹⁾	(24,831.5)	(1.96)	(20,922.5)	(1.84)	(3,909.0)	18.68
Financial Investments	521,599.0	41.20	429,954.5	37.83	91,644.5	21.31
Financial assets measured at amortised cost	424,417.9	33.52	383,164.5	33.72	41,253.4	10.77
Financial assets measured at fair value through other comprehensive income	48,833.5	3.86	16,625.5	1.46	32,208.0	193.73
Financial assets measured at fair value through profit and loss	48,347.6	3.82	30,164.5	2.65	18,183.1	60.28
Cash and balances with Central Bank	61,349.6	4.84	65,368.9	5.75	(4,019.3)	(6.15)
Deposits and placements with banks and other financial institutions	108,089.9	8.54	137,386.6	12.09	(29,296.7)	(21.32)
Financial assets held under resale agreements	980.3	0.08	1,303.0	0.11	(322.7)	(24.77)
Investment in associates	451.4	0.04	450.3	0.04	1.1	0.24
Goodwill	440.1	0.03	440.1	0.04	–	–
Other assets ⁽²⁾	16,045.9	1.26	14,499.8	1.29	1,546.1	10.66
Total Assets	1,266,291.2	100.00	1,136,366.6	100.00	129,924.6	11.43

Notes:

- (1) Includes only the provision for impairment on loans and advances to customers measured at amortised cost.
- (2) Other assets consist of fixed assets, deferred income tax assets, right-of-use assets, and other receivables.

Management Discussion and Analysis

As of the end of 2021, the Group's total assets amounted to RMB1,266,291 million, representing an increase of RMB129,925 million or 11.43% as compared to the end of the previous year.

The carrying balance of loans and advances to customers amounted to RMB582.167 billion, representing an increase of RMB74.281 billion or 14.63% over the end of the previous year and accounted for 45.97% of total assets, representing an increase of 1.28 percentage points over the end of the previous year. The Group, as the largest financial institution in Chongqing, has seized the opportunity of the construction of the Yangtze River Economic Zone and the Chengdu-Chongqing Economic Circle, and supported major sectors and key projects and increased the credit investment in the fields such as transportation connectivity, industry collaboration and technology innovation while preventing risks. The Group adhered to the positioning of supporting agriculture, rural areas and farmers and small and micro enterprises, continuously improved service efficiency, promoted the establishment of online and offline service system and increased the release of agriculture and small and micro enterprises loans. Meanwhile, the Group deeper dug the growth potential of consumer credit, broadened business channels, and vigorously promoted the high-quality development of consumption industry.

Financial investments amounted to RMB521,599 million, representing an increase of RMB91,645 million or 21.31% as compared to the end of the previous year. The Group increased the investment in standardized products such as bonds. Among which, financial assets measured at fair value through other comprehensive income amounted to RMB48,834 million, representing an increase of RMB32,208 million or 193.73% as compared to the end of the previous year, mainly due to the fact that the Group increased the investment in bonds measured at fair value through other comprehensive income. Financial assets measured at fair value through profit and loss amounted to RMB48,348 million, representing an increase of RMB18,183 million or 60.28% as compared to the end of the previous year, mainly due to the fact the Group increased the investment in products such as debt instruments issued by financial institutions.

Total cash and balances with the Central Bank amounted to RMB61,350 million, representing a decrease of RMB4,019 million or 6.15% as compared to the end of the previous year, mainly attributable to the downward adjustment of the reserve requirement ratio.

Deposits and placements with banks and other financial institutions amounted to RMB108,090 million, representing a decrease of RMB29,297 million or 21.32% as compared to the end of the previous year, mainly due to the fact that the Group optimized its asset structure, reduced deposits with banks and other financial institutions, increased credit investment and increased the proportion of credit assets.

Financial assets held under resale agreements amounted to RMB980 million, representing a decrease of RMB323 million or 24.77% as compared to the end of the previous year, mainly due to the Group's adjustments to the utilization structure of funds, after comprehensively taking into account the needs of asset-liability and liquidity management.

(1) Loans and Advances to Customers

The following table sets forth, as at the dates indicated, the composition of the Group's loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Corporate loans and advances	280,285.2	48.15	273,631.3	53.88
Short-term loans	56,140.6	9.64	69,302.5	13.65
Medium and long-term loans	224,144.6	38.51	204,328.8	40.23
Retail loans and advances	275,554.8	47.33	216,543.7	42.64
Personal mortgage loans ⁽¹⁾	100,979.8	17.35	91,337.0	17.98
Personal business and reemployment loans ⁽²⁾	89,795.5	15.42	66,799.8	13.15
Other loans ⁽³⁾	84,779.5	14.56	58,406.9	11.51
Discounted bills	26,326.5	4.52	17,710.9	3.48
Total loans and advances to customers	582,166.5	100.00	507,885.9	100.00

Notes:

- (1) Personal mortgage loans primarily consist of residential mortgage loans and commercial property mortgage loans.
- (2) Personal business and re-employment loans primarily consist of personal loans for business purposes, personal working capital loans and small amount loans related to employment and re-employment.
- (3) Other loans primarily consist of individual consumption loans, credit card loans, housing pledged loan, rural cross-guaranteed loans and credit loans.

As at the end of 2021, the carrying balance of loans and advances to customers of the Group amounted to RMB582,167 million, representing an increase of RMB74,281 million, or 14.63% as compared to the end of the previous year.

Management Discussion and Analysis

The gross amount of corporate loans and advances was RMB280,285 million, representing an increase of RMB6,654 million, or 2.43% as compared to the end of the previous year. Among which, short-term loans decreased by RMB13.162 billion, and medium-and long-term loans increased by RMB19.816 billion. The Group increased credit support in rural areas such as rural infrastructure, promoted strategic emerging industries such as new energy vehicles to set sail in Chongqing. The Bank innovated special products such as “Qingke loans” and “Ludian loans”, and increase the release of green loans such as wind power projects.

Total retail loans and advances amounted to RMB275.555 billion, representing an increase of RMB59.011 billion or 27.25% over the end of the previous year, and an increase of 4.69 percentage points of the proportion in the total loans. The Group continuously implemented the retail strategic orientation and vigorously developed retail loan business such as inclusive finance and consumer finance.

Among which, total personal mortgage loans amounted to RMB100.980 billion, representing an increase of RMB9.643 billion or 10.56% over the end of the previous year, mainly due to the major support for the local citizens’ reasonable financing requirement for owner-occupied houses, subject to the regulatory requirements.

Total personal business and re-employment loans amounted to RMB89.796 billion, representing an increase of RMB22.996 billion or 34.42% over the end of the previous year. The Group has pushed the development of inclusive finance, and made integration of online and offline service models to support the development of personal operating loans business through multiple channels.

Total other loans amounted to RMB84.780 billion, representing an increase of RMB26.373 billion or 45.15% over the end of the previous year. With the help of financial technology, the Group improved the quality and efficiency of consumer financial services, built a scenario financial model around consumer demand, and made great efforts to build a financial ecosystem.

Discounted bills amounted to RMB26,327 million, representing an increase of RMB8,616 million or 48.65% as compared to the end of the previous year, which was mainly attributable to the fact that the Group supported the short-term financing demands of key customers on the basis of meeting the requirements of asset and liability management.

The following table sets forth, as at the dates indicated, the composition of the Group's loans by industry classification:

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020	
	Loan amount	Percentage (%)	Loan amount	Percentage (%)
Corporate loans and advances	280,285.2	48.15	273,631.3	53.88
Water, environmental and public facility management	66,616.5	11.44	63,875.2	12.58
Leasing and business services	63,956.0	10.99	60,476.7	11.91
Manufacturing	56,766.4	9.75	61,019.7	12.01
Electricity, heat, gas and water production and supply industries	23,169.5	3.98	19,232.7	3.79
Transportation, warehousing and postal services	22,092.3	3.79	18,177.2	3.58
Wholesale and retail industries	16,590.0	2.85	17,969.1	3.54
Construction	7,165.6	1.23	6,601.1	1.30
Health and social work	6,819.3	1.17	6,288.3	1.24
Real estate	4,687.0	0.81	5,676.8	1.12
Culture, sport and entertainment	2,687.2	0.46	2,322.8	0.46
Others	9,735.4	1.68	11,991.7	2.35
Retail loans and advances	275,554.8	47.33	216,543.7	42.64
Discounted bills	26,326.5	4.52	17,710.9	3.48
Total loans and advances to customers	582,166.5	100.00	507,885.9	100.00

In 2021, the Group continued to advance credit support for national and major local strategic projects, intelligent manufacturing, and people's livelihood. As of the end of 2021, the balance of the Group's corporate loans invested in water, environmental and public facilities management, leasing and business service and manufacturing industries were RMB66.617 billion, RMB63.956 billion and RMB56.766 billion respectively, accounting for 11.44%, 10.99% and 9.75% of the Group's total loans and advances, respectively.

Management Discussion and Analysis

(2) Financial Investments

The following table sets forth, as at the dates indicated, the composition of the Group's financial investments:

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Bonds investment	419,772.3	80.49	305,211.4	70.99
Debt instruments issued by financial institutions	16,193.8	3.10	9,045.5	2.10
Interbank certificates of deposit	28,461.4	5.46	61,478.3	14.30
Debt financing plan	24,746.8	4.74	32,620.6	7.59
Fund	31,627.0	6.06	21,028.4	4.89
Equity instruments	797.7	0.15	570.3	0.13
Total financial investments	<u>521,599.0</u>	<u>100.00</u>	<u>429,954.5</u>	<u>100.00</u>

As of the end of 2021, the total financial investment amounted to RMB521,599 million, representing an increase of RMB91,645 million or 21.31% as compared with the end of the previous year. The Group actively optimized asset structure after taking liquidity and profitability into consideration, and constantly increased the proportion of investment in standardized assets.

The following table sets forth, as at the dates indicated, the composition of the Group's bond investments by issuer:

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Government bonds	178,927.5	42.62	113,384.5	37.14
Public institutions, and quasi-government bonds	97,837.9	23.31	69,429.7	22.75
Financial institution bonds	81,904.5	19.51	60,147.3	19.71
Corporate bonds	61,102.4	14.56	62,249.9	20.40
Total bonds investment	<u>419,772.3</u>	<u>100.00</u>	<u>305,211.4</u>	<u>100.00</u>

As of the end of 2021, the government bonds and public institutions, and quasi-government bonds increased by RMB65,543 million and RMB28,408 million respectively, as compared to the end of the previous year.

(3) Foreclosed assets

As part of its effort to recover impaired loans and advances, the Group may obtain the title of the collateral, through legal actions or voluntary delivery of the borrowers, as compensation for the losses on loans and advances and interest receivable. As at the end of 2021, the balance of the Group's foreclosed assets were RMB45 million, and the balance of allowances for foreclosed assets was RMB6 million. Please refer to "Other Assets" under Notes to the Financial Statements for details.

2. *Liabilities*

The following table sets forth, as at the dates indicated, the composition of the Group's total liabilities:

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Deposits from customers	759,360.2	65.47	724,999.8	69.63	34,360.4	4.74
Deposits and placements from banks and other financial institutions	63,396.7	5.47	62,139.3	5.97	1,257.4	2.02
Debt securities issued	225,254.4	19.42	173,178.2	16.63	52,076.2	30.07
Borrowings from Central Bank	80,539.8	6.94	62,313.8	5.98	18,226.0	29.25
Financial assets sold under repurchase agreements	19,088.5	1.65	6,373.2	0.61	12,715.3	199.51
Other liabilities ⁽¹⁾	12,167.5	1.05	12,290.1	1.18	(122.6)	(1.00)
Total liabilities	1,159,807.1	100.00	1,041,294.4	100.00	118,512.7	11.38

Note: (1) Other liabilities consist of accrued staff costs, taxes payable, lease liabilities and other payables, etc.

Management Discussion and Analysis

As of the end of 2021, the total liabilities of the Group increased by RMB118.513 billion, or 11.38%, to RMB1,159.807 billion as compared to the end of the previous year. Deposits from customers are the most core liabilities source of the Group, representing an increase of RMB34,360 million or 4.74% as compared to the end of the previous year; deposits and placements from banks and other financial institutions increased by RMB1,257 million or 2.02% as compared to the end of the previous year; the debt securities issued increased by RMB52,076 million or 30.07% as compared to the end of the previous year, mainly due to the increase in issuance of interbank certificates of deposit and the optimization of liabilities structure of the Group based on the market condition. Borrowings from Central Bank increased by RMB18,226 million or 29.25% as compared to the end of the previous year, which was mainly due to the fact that the Bank proactively used the Central Bank's monetary policy tools and newly added Central Bank's special funds including re-loans in support of agriculture and micro and small enterprises, etc.

(1) Deposits from customers

The following table sets forth, as at the dates indicated, the composition of deposits from customers of the Group:

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Subtotal corporate deposits	150,211.6	19.78	156,370.2	21.57
Demand deposit	104,825.5	13.80	122,309.1	16.87
Time deposit	45,386.1	5.98	34,061.1	4.70
Subtotal personal deposits	604,016.1	79.55	561,617.1	77.46
Demand deposit	126,626.7	16.68	128,951.9	17.79
Time deposit	477,389.4	62.87	432,665.2	59.67
Pledged deposits	5,115.2	0.67	7,002.5	0.97
Other deposits	17.3	—	10.0	—
Total deposits from customers	759,360.2	100.00	724,999.8	100.00

In 2021, the Group leveraged its channel and retail customer advantages, and steadily increased deposits from customers. As of the end of 2021, total deposits from customers amounted to RMB759,360 million, representing an increase of RMB34,360 million or 4.74% as compared to the end of the previous year.

In terms of customer structure, corporate deposits amounted to RMB150,212 million with a decrease of RMB6,159 million or 3.94% over the end of the previous year, the percentage of deposits from customers recorded a decrease of 1.79 percentage points as compared to the end of the previous year; personal deposits amounted to RMB604,016 million with an increase of RMB42,399 million or 7.55% over the end of the previous year, the percentage of total deposits from customers recorded a further increase of 2.09 percentage points as compared to the end of the previous year.

In terms of term structure, the demand deposits amounted to RMB231,452 million, representing a decrease of RMB19,809 million or 7.88% over the end of the previous year, and accounted for 30.48% of total deposits from customers. Time deposits amounted to RMB522,776 million, representing an increase of RMB56,049 million or 12.01% over the end of the previous year, with the proportion of total deposits from customers of 68.85%.

(2) Debt securities issued

The Group has not issued any corporate bonds that are required to be disclosed in accordance with the requirements of the “Rules No. 2 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities—Contents and Format of Annual Report (Revision 2021)” and the “Rules No. 38 on Contents and Format of Information Disclosure by Companies Publicly Issuing Securities—Contents and Format of the Annual Report on Corporate Bonds” issued by CSRC. For details of the Bank’s debt securities, please refer to “Bonds Payable” under Notes to the Financial Statements.

Management Discussion and Analysis

3. Shareholders' Equity

The following table sets forth, as at the dates indicated, the composition of shareholders' equity of the Group:

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020		Change in amount	Rate of change (%)
	Amount	Percentage (%)	Amount	Percentage (%)		
Share capital	11,357.0	10.67	11,357.0	11.95	-	-
Other equity instruments	3,998.3	3.75	-	-	3,998.3	100
Capital reserve	20,924.6	19.65	20,924.6	22.01	-	-
Investment revaluation reserve	195.8	0.18	(418.0)	(0.44)	613.8	(146.84)
Actuarial revaluation reserve	(641.2)	(0.60)	(268.5)	(0.28)	(372.7)	138.81
Surplus reserve	12,930.7	12.14	12,069.8	12.70	860.9	7.13
General risk reserve	15,881.4	14.91	14,056.1	14.78	1,825.3	12.99
Retained earnings	40,306.2	37.86	35,947.7	37.80	4,358.5	12.12
Equity attributable to						
shareholders of the Bank	104,952.8	98.56	93,668.7	98.52	11,284.1	12.05
Non-controlling interests	1,531.3	1.44	1,403.5	1.48	127.8	9.11
Total shareholders' equity	106,484.1	100.00	95,072.2	100.00	11,411.9	12.00

As of the end of 2021, total equity amounted to RMB106,484 million, representing an increase of RMB11,412 million as compared to the end of the previous year, mainly attributable to the increase in retained earnings. In particular, other equity instruments increased by RMB3,998 million as compared to the end of the previous year, which was mainly due to the fact that the Group issued new perpetual bonds; investment revaluation reserve increased by RMB614 million as compared to the end of the previous year, mainly due to the changes in the fair value of financial assets measured at fair value through other comprehensive income invested by the Group; actuarial revaluation reserve decreased by RMB373 million from the end of the previous year, mainly due to the increase in the actuarial costs for supplementary medical insurance of the Group; general risk reserve increased by RMB1,825 million as compared to the end of the previous year, mainly due to provision with an amount of 1.5% of the balance of risk assets at the end of the previous year.

4. Off-Balance-Sheet Items

As of the end of 2021, off-balance-sheet items of the Group mainly include unused credit card limit, acceptances, letters of guarantee issued and letters of credit issued. The balances of unused credit card limit, acceptances, letters of guarantee issued and letters of credit issued amounted to RMB25,307 million, RMB6,808 million, RMB3,434 million and RMB2,380 million respectively. All the Group's capital expenditure commitments which have been approved but were unnecessary to be presented on the balance sheet were signed but unfulfilled contracts with amount of RMB448 million. The operating lease commitments of the Group that are not included in the measurement of lease liabilities were not significant.

(III) Cash Flows Statement Analysis

The following table sets forth, for the years indicated, the Group's cash flow statement:

<u>(Expressed in RMB million, unless otherwise stated)</u>	<u>2021</u>	<u>2020</u>
Net cash flow from operating activities	41,228.8	42,370.3
Net cash flow from investing activities	(72,045.4)	(37,885.8)
Net cash flow from financing activities	47,371.1	(5,690.9)

Net cash inflows from operating activities amounted to RMB41,229 million, representing a year-on-year decrease of RMB1,142 million, among which, the cash inflow was RMB156,128 million, representing a year-on-year decrease of RMB3,344 million and the cash outflow was RMB114,899 million, representing a year-on-year decrease of RMB2,203 million.

Management Discussion and Analysis

Net cash outflow from investing activities amounted to RMB72,045 million, representing a year-on-year increase of RMB34,160 million. In particular, cash inflow amounted to RMB223,626 million, representing a year-on-year increase of RMB32,474 million, which was mainly due to the increase in cash received from recovery of bonds investments; cash outflow amounted to RMB295,672 million, representing a year-on-year increase of RMB66,634 million, which was mainly due to the increase in cash payments on bonds investments.

Net cash inflow from financing activities amounted to RMB47,371 million, representing a year-on-year increase of RMB53,062 million. In particular, cash inflow amounted to RMB293,601 million, representing a year-on-year increase of RMB68,071 million, which was mainly due to the increase in the cash received from the issuance of bonds by the Group; cash outflow amounted to RMB246,230 million, representing a year-on-year increase of RMB15,009 million, which was mainly due to the increase in the cash paid for redemption of bonds issued.

(IV) Loan Quality Analysis

1. Breakdown of Loans by the five-category classification

The following table sets forth, as at the dates indicated, the distribution of the Group's loans by the five-category loan classification under which NPLs include those classified into substandard, doubtful and loss categories:

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Normal	563,693.0	96.83	489,255.1	96.33
Special mention	11,173.3	1.92	11,985.7	2.36
Substandard	4,002.0	0.69	2,868.6	0.56
Doubtful	3,079.6	0.53	3,641.1	0.72
Loss	218.6	0.03	135.4	0.03
Total loans and advances				
to customers	582,166.5	100.00	507,885.9	100.00
Balance of NPLs	7,300.2	–	6,645.1	–
NPL ratio (%)	–	1.25	–	1.31

In 2021, the Group insisted on making classification in a prudent manner, strictly controlled substantial risks, implemented risk classification management dynamically, put more efforts to the recovery and disposal of non-performing loans and comprehensively improved quality of asset. As of the end of 2021, balance of NPLs of the Group was RMB7,300 million, representing an increase of RMB655 million as compared to that of the end of the previous year. The NPL ratio was 1.25%, representing a decrease of 0.06 percentage point as compared to that of the end of the previous year. Among which, the balance of NPLs of urban area and the balance of NPLs of county area accounted for 70.67% and 29.33% of the Group, respectively.

2. Concentration of Loans

(1) Concentration by industry and distribution of NPL

The following table sets forth, as at the dates indicated, the loans and non-performing loans by industry:

(Expressed in RMB million, unless otherwise stated)	31 December 2021				31 December 2020			
	Loan amount	Percentage (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Percentage (%)	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans and advances	280,285.2	48.15	5,468.9	1.95	273,631.3	53.88	5,316.0	1.94
Manufacturing	56,766.4	9.75	807.0	1.42	61,019.7	12.01	2,961.9	4.85
Production and supply of electricity, gas and water	23,169.5	3.98	254.3	1.10	19,232.7	3.79	-	-
Real estate	4,687.0	0.81	-	-	5,676.8	1.12	-	-
Leasing and commercial services	63,956.0	10.99	1,754.6	2.74	60,476.7	11.91	7.4	0.01
Water conservancy, environment and public utility management	66,616.5	11.44	207.1	0.31	63,875.2	12.58	-	-
Construction	7,165.6	1.23	28.2	0.39	6,601.1	1.30	47.4	0.72
Wholesale and retail	16,590.0	2.85	1,635.1	9.86	17,969.1	3.54	1,440.7	8.02
Others	41,334.2	7.10	782.6	1.89	38,780.0	7.63	858.6	2.21
Retail loans and advances	275,554.8	47.33	1,830.3	0.66	216,543.7	42.64	1,328.1	0.61
Discounted bills	26,326.5	4.52	1.0	0.00	17,710.9	3.48	1.0	0.01
Total	582,166.5	100.00	7,300.2	1.25	507,885.9	100	6,645.1	1.31

In 2021, the Group strictly implemented guidelines for credit investment, strictly adhered to the lending and exit criteria, strengthened the management and control of key industries and strictly implemented relevant national regulatory policies and further optimized the credit structure. As of the end of 2021, the balance of loans of the real estate industry of the Group continued to decline, with no non-performing loans. The non-performing loans of leasing and commercial services increased, mainly involving commercial management-oriented enterprises such as the Group's parent company and shopping mall management companies of individual entities, which were affected by macro environment, investment-attracting delay and other factors, resulting in their operational difficulties. Based on the principle of prudence, the Group recognized the loans as non-performing and made full provision for impairment. Subsequently, the Group will continue to promote its risk disposal and gradually realize debt recovery.

Management Discussion and Analysis

(2) Concentration of borrowers

As of the end of 2021, the Group's total loans to its largest single borrower accounted for 2.73% of its net capital while total loans to its top ten clients accounted for 24.00% of its net capital, both of which were in compliance with the regulatory requirements. All the Group's loans to top ten largest single borrowers were not NPLs as of the end of 2021.

① Indicators of concentration

Major Regulatory Indicators (%)	Regulatory standard	31 December 2021	31 December 2020	31 December 2019
Percentage of the loans to largest single client to the net capital	≤10	2.73	3.74	5.15
Percentage of the loans to single group client to the net capital	≤15	5.84	5.72	6.37
Percentage of the loans to top ten clients to the net capital	-	<u>24.00</u>	<u>23.76</u>	<u>24.19</u>

② Top ten largest single borrowers

(Expressed in RMB million, unless otherwise stated)	Industry	31 December 2021	
		Loan Amount	Percentage of total loans and advances (%)
Client A	Transportation, warehousing and postal services	3,270.9	0.56
Client B	Water conservancy, environment and public utility management	3,208.5	0.55
Client C	Water conservancy, environment and public utility management	3,187.6	0.55
Client D	Manufacturing	3,123.9	0.54
Client E	Leasing and commercial service	3,065.6	0.53
Client F	Leasing and commercial service	2,942.3	0.51
Client G	Water conservancy, environment and public utility management	2,648.7	0.45
Client H	Leasing and commercial service	2,470.0	0.42
Client I	Leasing and commercial service	2,405.1	0.41
Client J	Water conservancy, environment and public utility management	2,394.8	0.41

3. *Distribution of Loans and NPLs by Product Type*

The following table sets forth, for the dates indicated, the loans and NPLs of the Group by product type:

(Expressed in RMB million, unless otherwise stated)	31 December 2021			31 December 2020		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
Corporate loans and advances	280,285.2	5,468.9	1.95	273,631.3	5,316.0	1.94
Short-term loans	56,140.6	2,050.2	3.65	69,302.5	1,247.1	1.80
Medium-and-long-term loans	224,144.6	3,418.7	1.53	204,328.8	4,068.9	1.99
Retail loans and advances	275,554.8	1,830.3	0.66	216,543.7	1,328.1	0.61
Residential mortgage and personal commercial property loans	100,979.8	469.0	0.46	91,337.0	279.5	0.31
Personal business and re- employment loans	89,795.5	653.8	0.73	66,799.8	544.6	0.82
Other loans	84,779.5	707.5	0.83	58,406.9	504.0	0.86
Discounted bills business	26,326.5	1.0	0.00	17,710.9	1.0	0.01
Total	582,166.5	7,300.2	1.25	507,885.9	6,645.1	1.31

As of the end of 2021, non-performing ratio of corporate loans of the Group increased by 0.01 percentage point to 1.95% as compared with the end of the previous year, whereas non-performing ratio of retail loans increased by 0.05 percentage point to 0.66% as compared with the end of the previous year.

Management Discussion and Analysis

4. Restructured Loans and Advances to Customers

The following table sets forth, for the dates indicated, the Group's restructured loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Restructured loans and advances to customers	1,132.3	0.19	1,539.5	0.30

As at the end of 2021, the total restructured loans of the Group amounted to RMB1,132 million, representing a decrease of RMB407 million from the end of the previous year and accounted for 0.19% of total loans and advances, representing a decrease of 0.11 percentage point from the end of the previous year.

5. Overdue Loans and Advances to Customers

The following table sets forth, for the dates indicated, the aging analysis of the Group's overdue loans and advances to customers:

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020	
	Amount	Percentage of the total amount of loans and advances (%)	Amount	Percentage of the total amount of loans and advances (%)
Overdue within 3 months	2,616.9	0.45	1,379.0	0.27
Overdue for 3 months to 1 year	2,632.5	0.45	2,473.9	0.49
Overdue for over 1 year and within 3 years	1,456.3	0.25	1,303.8	0.26
Overdue for more than 3 years	186.0	0.03	426.5	0.08
Total overdue loans and advances to customers	6,891.7	1.18	5,583.2	1.10

As of the end of 2021, the total overdue loans of the Group amounted to RMB6,892 million, representing an increase of RMB1,309 million from the end of the previous year; overdue loans accounted for 1.18%, representing an increase of 0.08 percentage point from the end of the previous year.

6. *Changes in Provision for Loans Impairment*

(Expressed in RMB million, unless otherwise stated)	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Opening balance	10,549.1	4,246.6	6,126.8	20,922.5
Transfer:	–	–	–	–
Transfer to stage 1	436.2	(382.2)	(54.0)	–
Transfer to stage 2	(2,486.5)	2,516.4	(29.9)	–
Transfer to stage 3	(388.1)	(3,162.7)	3,550.8	–
ECL changes arisen from stage transfer	(384.4)	1,540.9	3,676.9	4,833.4
New financial assets originated or purchased	9,423.8	–	–	9,423.8
Derecognition or settlement	(4,971.9)	(760.4)	(1,014.6)	(6,746.9)
Remeasurement	525.8	214.2	3,592.0	4,332.0
Write-offs and other for the period	–	–	(7,933.3)	(7,933.3)
Closing balance	12,704.0	4,212.8	7,914.7	24,831.5

 7. *Distribution of Loans by Type of Collateral*

The following table sets forth, for the dates indicated, the Group's distribution of loans and advances to customers by type of collateral:

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020	
	Amount	Percentage (%)	Amount	Percentage (%)
Credit loans	98,461.8	16.91	77,664.2	15.29
Guaranteed loans	177,919.3	30.56	160,337.6	31.57
Collateralised loans	239,851.7	41.20	208,580.2	41.07
Pledged loans	65,933.7	11.33	61,303.9	12.07
Total loans and advances to customers	582,166.5	100.00	507,885.9	100.00

Management Discussion and Analysis

8. Loan Migration Ratios

Items (%)	31 December 2021	31 December 2020	31 December 2019
Migration ratios of normal loans	1.93	3.20	1.70
Migration ratios of special-mentioned loans	60.98	49.53	9.64
Migration ratios of substandard loans	65.23	10.89	21.36
Migration ratios of doubtful loans	1.78	2.04	2.67

Note: The loan migration rate is calculated according to the calculation formula stipulated in the Notice of the CBIRC on Revising the Definition and Calculation Formula of Basic Indicators of Off-site Supervision of Banking Industry (Yin Bao Jian Fa [2022] No.2) and the relevant data for 2019 and 2020 have been adjusted retrospectively.

(V) Liability quality analysis

Liability quality management means a management activity carried out in terms of liability sources, structures, costs, etc. for the purpose of ensuring the safety, liquidity and efficiency of operations, and in accordance with the principle of adapting to business strategy, risk preference and overall business structure.

The Bank attached great importance to the liability quality management, and formulated the Measures for Liability Quality Management of Chongqing Rural Commercial Banks according to the relevant requirements of the Measures for Liability Quality Management of Commercial Banks issued by the CBIRC. In combination with the Bank's business strategy and development of the liability business, the Bank has established a perfect liability quality management system, which consists of a decision-making system, a supervision system and an implementation system, in which the decision-making system mainly includes the Board of Directors, the senior management and its asset and liability management committee, the supervision system mainly includes the board of supervisors and the audit department, and the implementation system mainly includes the front office business department, the middle and back office management departments and all branches.

The Bank adhered to the steady and prudent debt quality management strategy, and continued to promote the steady and sustainable development of the liability business. Firstly, adhere to the balanced development of the volume and price of the deposit business. The Bank maintained a steady growth in deposit scale, continuously consolidated its market share advantage, adopted refined control measures on deposit structure, and reasonably controlled interest payment costs, so as to effectively support the development of the asset business. Secondly, strengthen active liability management. According to the needs of asset business development and liquidity management, the Bank rationally arranged active liability issuance plans such as inter-bank liabilities and financial liabilities, improved the diversity of liability sources, and continuously optimized the liability structure. Thirdly, effectively strengthen process management and improve the forward looking of liability quality management. The Bank strengthened policy research and inter-bank data collection and analysis, strengthened indicator monitoring and analysis and rolling calculation mechanism, and provided decision support for the forward-looking management of liability quality.

In 2021, the Group's liability business grew steadily, and the overall performance of liability quality indicators was good. The net stable fund ratio of the Group was 119.56%, and the liquidity coverage ratio was 282.27%, both of which were better than the regulatory requirements. The Group's net interest margin was 2.17%, representing a year-on-year decrease of 8BP, the interest-bearing liability cost ratio was 2.26%, representing a year-on-year increase of 9BP, and the interest-bearing rate of deposits was 1.98%, representing a year-on-year increase of 1BP. The liability costs were generally controllable.

(VI) Segment Information

1. Summary of Geographical Segment

(Expressed in percentage)	31 December 2021		31 December 2020	
	County	Urban	County	Urban
Deposits	70.62	29.38	70.04	29.96
Loans	52.00	48.00	50.79	49.21
Assets	50.69	49.31	52.91	47.09
Deposit-loan ratio	56.44	125.28	50.80	115.06

As of the end of 2021, the Group's deposits in county area accounted for 70.62%, an increase of 0.58 percentage point over the end of the previous year. The loans in county area accounted for 52.00%, an increase of 1.21 percentage points over the end of the previous year, and the assets in county area accounted for 50.69%, a decrease of 2.22 percentage points over the end of the previous year; county-level deposit to loan ratio was 56.44%, an increase of 5.64 percentage points over the end of the previous year. Based on Chongqing, the Group deeply cultivates the rural economy, continuously improves the county's financial service capabilities and loans investment, and supports the development of county economy.

2. Summary of Business Segment

(Expressed in RMB million, unless otherwise stated)	2021		2020	
	Amount	Percentage of Total Amount (%)	Amount	Percentage of Total Amount (%)
Operating income				
Corporate banking business	10,210.9	33.10	9,320.6	33.07
Retail banking business	12,497.6	40.51	10,953.0	38.87
Financial market business	8,126.4	26.34	7,883.4	27.97
Unallocated	14.7	0.05	24.9	0.09
Total operating income	30,849.6	100.00	28,181.9	100.00

In 2021, the Group's operating income of corporate banking business was RMB10,211 million, accounting for 33.10%, a year-on-year increase of 0.03 percentage point; operating income of retail banking business was RMB12,498 million, accounting for 40.51%, a year-on-year increase of 1.64 percentage points; operating income of financial market business was RMB8,126 million, accounting for 26.34%, a year-on-year decrease of 1.63 percentage points. In recent years, the Bank has served real economy and increased the efforts to support personal and small and micro enterprises. The proportion of operating income of retail banking business continued to increase.

(VII) Differences between the Financial Statements Prepared in accordance with Chinese Accounting Standards and International Financial Reporting Standards (“IFRS”)

1. *Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS*

As a financial institution incorporated in the People’s Republic of China, the Bank prepares consolidated financial statements of the Bank and its subsidiaries in accordance with the Accounting Standards for Enterprises promulgated by the Ministry of Finance of the People’s Republic of China, relevant regulations issued by the CSRC and other regulatory agencies (collectively referred to as “Accounting Standards for Enterprises”).

The Group also compiles consolidated financial statements in accordance with the International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board and the disclosure regulations applicable to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. There are some differences between the financial statements in this report and the Group’s financial statements prepared in accordance with Accounting Standards for Enterprises. The differentiated items and amounts are listed below:

(Expressed in RMB million, unless otherwise stated)	Net Assets (Consolidated)		
	31 December 2021	31 December 2020	31 December 2019
In accordance with Chinese Accounting Standards	106,044.0	94,632.1	89,362.2
Differentiated items and amount			
– Goodwill from acquisitions	440.1	440.1	440.1
In accordance with IFRS	106,484.1	95,072.2	89,802.3

2. *Reasons for the Differences between the Financial Statements prepared in accordance with Chinese Accounting Standards and IFRS*

The Bank was incorporated on 27 June 2008 as a limited company by shares, and the newly incorporated company acquired the assets and liabilities of 38 County/District Rural Credit Cooperative Unions, including the former Chongqing Rural Credit Cooperative (重慶市農村信用合作社), Chongqing Yuzhong District Rural Credit Cooperative Union (重慶市渝中區農村信用合作社聯合社) and Chongqing Wulong Rural Cooperative Bank (重慶武隆農村合作銀行) (“Acquisition”). The Bank first implemented the Accounting Standards for Enterprises on 1 January 2009 and was not required to recognise the goodwill generated from the Acquisition. The Bank made an initial public offering of overseas listed foreign shares (H shares) on the Hong Kong Stock Exchange on 16 December 2010 and adopted IFRS for the first time in the same year. The goodwill generated from the Acquisition was retrospectively recognized in accordance with the relevant requirements of the first implementation of IFRS.

(VIII) Changes in Significant Accounting Policies and Significant Accounting Estimates and Judgments

In determining the carrying amounts of some assets and liabilities and the related profit or loss during the Reporting Period in accordance with its accounting policies, the Group makes estimates and judgments in certain aspects. The Group makes estimates and assumptions based on historical experience and expectations of future events, and reviews them on a regular basis. In addition, the Group needs to make further judgments in respect of the application of accounting policies. The Group’s management believes that the estimates and judgments made by the Group reflect appropriately the economic context which the Group was subject to. The major areas affected by the estimates and judgments include expected credit loss measurement, liabilities related to supplementary retirement benefit and early retirement benefit, classification of financial assets, fair value of financial instruments, judgment on ownership and control of structured entities, and income taxes.

III. Discussion and Analysis of Main Business Operations

(1) Retail Business

Adhering to the development philosophy of “client-oriented”, the Bank: focused on client management and implements precise marketing at different levels and grades; strengthened product innovation, built a client value-added rights and interests system, and enriched clients’ rights and interests; and strove to promote the business of merchants, optimize the card use environment, and accelerated the construction of BBC ecosystem. The Bank maintained its determination to transform and upgrade, further and deeper cultured the retail market, and steadily pushed the retail business to a new level.

1. *Personal Deposit and Loan Business*

Personal deposits were progressed steadily, and the interest rate was constantly optimized. By creating a classification management system of “functional, featured and scenario-based” products, the Bank creates “Zhen Xing Cun (振興存)” series featured products and exclusive deposit products for important traditional festival around customers’ differentiated needs to achieve customer product penetration and to boost continuous deposit growth. As at the end of 2021, the balance of personal deposits of the Group amounted to RMB604,016 million, representing an increase of RMB42,399 million or 7.55% over the end of the previous year. Total personal deposits, annual increment and market share all ranked first in Chongqing. At the same time, the Bank constantly optimized the deposit structure, strengthened the control of high-cost deposit volume and price, and reduced the debt costs, as a result of which the annual interest payment rate was 2.15%, representing a year-on-year decrease of 6 basis points.

Retail sales increased steadily, and asset quality continued to remain at a good level. The Bank insisted on business for small and micro enterprises, stressed product innovation, implemented differentiated credit services, continued to support inclusive finance and constantly consolidated the advantageous position of personal loan business. The Bank implemented various measures to promote the professionalization, online operation and standardization of personal loan business, so as to achieve structural transformation. As at the end of 2021, the balance of the Group’s retail loan amounted to RMB275,555 million, representing an increase of RMB59,011 million or 27.25% over the end of the previous year. The Bank ranked the first in Chongqing in term of the stock and increment market shares. Among which, the closing balance of personal mortgage loans amounted to RMB100.980 billion, representing an increase of RMB9.643 billion as compared with the end of the previous year; the Bank has developed innovative loan products by itself, and has launched self-innovated products such as the retail credit consumer loans “Yukuai Loan”, the housing mortgage product “Housing Fast Loan” and the housing mortgage “Jie Housing Loan”. The closing balance of autonomous innovative loans was RMB10.385 billion (excluding Jie Housing Loan), representing an increase of RMB4.396 billion as compared with the end of the previous year, and the increment increased by RMB641 million year-on-year. The risk of retail loans was well controlled, with a non-performing rate of 0.66%, maintaining good risk prevention.

2. *Bank Card Business*

Debit card business grew steadily, and the types of debit cards continued to be rich. The Bank has continuously improved the “Jiangyu” branded debit card product system, and continuously improved the functions of debit cards to boost the steady growth of debit card business. The Bank innovated and launched the rural revitalization cards for agriculture-related entities. In addition to providing five free rights and interests, such as free annual fee, card opening fee and ATM cross-regional withdrawal fee, the Bank also granted credit lines to the cardholders of rural business owners, who can use the credit lines at any time, effectively solving the problems of “short, small, frequent and fast” fund demands of farmers. As at the end of 2021, the total number of debit cards issued by the Bank reached 24,338,900; the consumption related thereto amounted to RMB70,658 million. Specially, nostalgia series of debit cards issued with the function of subsidizing foreign remittance fees reached an issued number of 12,799,600 and gained remote remittance funds of RMB67,292 million.

The credit card business developed rapidly, and the indicators continued to improve. The core credit card system independently developed and innovated by the Bank was successfully relocated to online, as a result of which the Bank became the first bank in China to successfully relocate from UnionPay Data Company, which will greatly reduce operating costs and effectively enhance market competitiveness of the Bank. As of the end of 2021, the credit balance of credit cards was RMB9.143 billion, representing an increase of 82.75% as compared to the end of the previous year, in which the installment business achieved “good and fast” development. The installment balance of credit cards was RMB5.699 billion, representing an increase of 196.51% as compared to the end of the previous year. Merchants’ businesses took advantage of latecomers to achieve rapid growth. As of the end of 2021, the number of effective merchants amounted to 401,500, representing an increase of 151.25% as compared to the end of the previous year; a total of 345 million transactions were made, representing an increase of 22.64 times as compared to the end of the previous year; the accumulated transaction volume amounted to RMB47.559 billion, representing an increase of 41.83 times as compared to the end of the previous year. The AUM balance of merchants amounted to RMB34.849 billion, representing an increase of 111.38% as compared to the end of the previous year; the LUM balance of merchants amounted to RMB17.591 billion, representing an increase of 150.41% as compared to the end of the previous year. The quality of credit card assets was improved, and the overdue rate and the non-performing rate were “double down”. As of the end of 2021, the overdue rate of the Bank’s credit cards was 1.93%, representing a decrease of 0.48 percentage point as compared to the end of the previous year, and the non-performing ratio was 2.07%, representing a decrease of 0.09 percentage point as compared to the end of the previous year.

3. *Wealth Management Business*

The quality of wealth management business was rising, and business channels were constantly expanding. The Bank continued to improve the financial product system, focusing on strengthening cooperation with companies such as head funds and insurance companies, strengthening the introduction of superior products, meeting customers' diversified wealth management financial demands, and broadening investment capital market channels. As of the end of 2021, the balance of wealth management products under consignment of the Bank amounted to RMB107.829 billion; the Bank's agency fund business scale amounted to RMB4.191 billion, of which the non-monetary fund scale amounted to RMB2.981 billion, representing an increase of 60.93% as compared to the end of the previous year. In 2021, the sales volume of insurance products amounted to RMB873 million, representing a year-on-year increase of 52.63%, driving a year-on-year increase of 80.05% in the service charges; the sales volume of savings bonds amounted to RMB1.9 billion, representing a year-on-year increase of 87.19%, driving a year-on-year increase of 55.59% in the service charges. The system of rights and interests products has been continuously enriched, and the localization features have become increasingly prominent. By creating a financial scenario, the Bank provided customers with a special rights and interests system of "food, accommodation, travel, shopping and entertainment, medical care", and created "Ten Value Added Service Systems" for high-net-worth customers, such as birthday courtesy, business travel, high-end medical care, legal and tax experts, cultural travel and leisure, quality and health care, elite education, entrepreneur clubs, wealth housekeepers, etc.

4. *Electronic Distribution Pipelines*

The Bank promoted the intelligent development of marketing, built a smart outbound platform for robots, and innovated a service mode of automatic touch + manual marketing, with 4,539,700 outbound robots in the whole year, accounting for 92.12%. The output value of credit card installment marketing amounted to RMB590 million, representing a year-on-year increase of 628.15%, and the service fee revenue amounted to RMB17.1 million, representing a year-on-year increase of 293.66%.

The Bank continued to innovate and develop mobile banking. On the basis of the synergy of the three versions: "exclusive version", "simple version" and "growth version", the Bank completed the upgrade and optimization of the simple version of the mobile banking App through the transformation suitable for aging and agriculture, effectively solving the difficulties faced by the elderly and other special people in using smart technology. The Bank continued to improve intelligent features such as audio transfer, wish deposit, wealth assessment, single key bill payment, Xiaoyu assistant and scanning code handling, and added new functions such as mobile banking sharing, retail loan self-use, temporary loss reporting cancel and cloud print, among which cloud print function provided customers with mobile banking services of printing transaction flow, receipts and loan repayment details, further enriching online business handling pipelines. As of the end of 2021, the number of mobile banking users of the Group amounted to 12,497,900, representing a net increase of 1,264,500 for the year, and an increase of 11.26%; the transaction amount this year amounted to RMB1,615.981 billion, representing a year-on-year increase of 11.05% year-on-year, and there were 77,157,700 financial transactions, representing a year-on-year increase of 21.42%.

(2) Small and micro businesses

The Bank firmly grasped the theme of high-quality development, optimized and implemented traditional financial businesses, and at the same time, adhered to the innovation-driven development, continuously promoted the construction of “online + offline” micro-financial service system, and continuously improved the overall quality and efficiency of financial services for small and micro enterprises. As of the end of 2021, the number of inclusive small and micro enterprise loans of the Bank amounted to 152,400, representing an increase of 23,800 as compared with the end of previous year; the loan balance amounted to RMB96.172 billion, representing an increase of RMB21.444 billion as compared with the end of previous year, and growth rate of 28.70%, which was 15.34 percentage points higher than the growth rate of all loans of the Bank. The goal of “two increases”¹ was achieved throughout the year. The number of inclusive small-and micro enterprise loans and the market share of the balance continue to maintain the first in Chongqing. The Bank made full use of the central bank’s monetary policy tools, such as deferred repayment of the principal and interest of inclusive small-and micro enterprise loans, credit loan support plan, re-loans, etc., and seized the policy dividend to maintain the income level of small and micro businesses. In 2021, the average interest rate of new loans for inclusive small and micro enterprises was 5.85%, the non-performing ratio of loans of inclusive small and micro enterprises was 0.89%, and the asset quality was controlled at a reasonable level. In 2020, the Bank’s evaluation result of financial services for small and micro enterprises was the highest level, and the Bank was selected as the advanced unit of financial services for small and micro enterprises in 2020 by Chongqing Banking and Insurance Regulatory Bureau.

Build a service system. In 2021, the Bank set up the inclusive finance line. While strengthening the top-level design, the Bank reasonably authorized and comprehensively promoted the business team and service focus to sink, and established inclusive finance departments or rural revitalization finance department in branches to develop small and micro finance business, building a multi-level small and micro finance service network covering the whole city. In order to give full play to the Bank’s traditional advantages of many outlets and wide scope, the Bank built 39 new financial service harbors for small and micro enterprises and individual industrial and commercial households on the basis of established 17 small and micro enterprise exclusive sub-branches to provide comprehensive and specialized financial services for small and micro customers. The Bank improved the access, training, assessment and exit mechanisms of small and micro customer managers, strengthened the professional construction of the team, and established a team of customer managers who know business and technology. The Bank introduced the exclusive interest rate pricing policy, increased the weight of inclusive finance in the KPI assessment of leaders of branches and sub-branches, strengthened the allocation of resources, and gave internal fund transfer pricing concessions to small and micro enterprise loans.

¹ “Two Increases” means that the growth rate of inclusive small and micro enterprise loans with a total credit of less than RMB10 million per household is not lower than that of all loans at the end of previous year, and the number of households with loan balance is not lower than that at the end of previous year.

Enrich the product system. The Bank continued to build exclusive credit products for small and micro enterprises, enriched the product system, covered the financing needs of small and micro enterprises at all stages of starting, growing and maturing, and formed a benign incubation and cultivation mechanism, such as launching “Science and Technology Growth Loan” and “Science and Technology Enterprise Knowledge Value Credit Loan” for science and technology enterprises, launching “Tax Fast Loan” and “Tax Easy Loan” for honest taxpaying enterprises, launching “Integration Loan of Primary, Secondary and Tertiary Industries” for rural characteristic industries, and launching “Start-up Guarantee Loan” for double-creative persons, so that small and micro customers in different industries, types and stages of development can enjoy the exclusive financing services of the Bank. In order to meet the changes of market and customer demand, the Bank established a special credit evaluation system. In 2021, the Bank timely launched series products for small and microenterprises, such as “Yukuai Revitalization Loan” and made adaptive revisions to the small and micro enterprise credit product system, optimized the loan review process, continuously improved credit products, technologies and services.

Strengthen science and technology empowerment. In 2021, the Bank launched the “Small and Micro AI Smart Work Platform” to quickly respond to the needs of small and micro customers through the mode of “scanning code to apply for loans and intelligent matching”. The Bank innovatively launched “cloud signing” by comprehensively using financial technology means such as Internet big data, and took the lead in Chongqing to realize online signing of credit texts such as applications, authorizations, commitments and contracts by customers and to handle mortgage registration. The Bank deepened the construction of offline and online pipelines, strengthened the cooperation among the government and the guarantee agencies, and explored a new business model of “guarantee at sight”. The Bank promoted the interconnection of systems and data with policy guarantee companies such as Chongqing small and micro guarantee companies, took the lead in realizing online loan application for venture guarantee loans in Chongqing, continued to optimize and iterate online loan handling functions such as “self-drawing” and “self-renewing loans”, and continued to improve small and micro-online product systems such as “Housing Fast Loan”, “Piao Fast Discount” and “Shui Fast Loan” to further improve the intelligence and online level of the whole process of small and micro customer business.

(III) Corporate Business

Focusing on major strategies such as national “the belt and road initiative” and the construction of a twin-city economic circle in Chengdu-Chongqing region, the Bank proactively carried out the construction of a green financial system, focused on advanced manufacturing, helped the real economy to become better and stronger, continuously increased its support for areas that benefit people’s livelihood such as medical care and education, gradually improved its international settlement and cross-border service capabilities, and steadily promoted the company’s business development.

1. *Corporate deposit and loan business*

As at the end of 2021, the balance of corporate deposit of the Group (including the pledged deposits and other deposits) amounted to RMB155,344 million, ranking third in the Chongqing regional local and foreign currency market. The balance of corporate loans of the Group was RMB280,285 million, representing an increase of RMB6,654 million as compared to the end of previous year, ranking second in the Chongqing regional local and foreign currency market; the annualised average yield of the Group's corporate loans was 4.93% and the corporate loan-deposit spread was 3.56%.

Anchor the direction to accurately support major strategies. The Bank focused on supporting major strategic areas such as Chengdu-Chongqing Economic Circle, major infrastructure, people's livelihood, etc., took the initiative to connect with the construction plan of Chengdu-Chongqing Economic Circle, and granted more than RMB72.9 billion of credit to 72 key projects and enterprises in the Chengdu-Chongqing Economic Circle. The Bank released 75 loans in infrastructure, amounting to RMB15.316 billion, with a year-on-year increase of 100.10%. The balance of loans for people's livelihood amounted to RMB27.464 billion, representing an increase of 14.61% as compared to the end of the previous year.

Practice the concept to go deep into the real green road. The Bank adhered to the concept of green development and strove to build a green benchmark bank. The balance of green credit amounted to RMB36,664 million, representing an increase of RMB12.098 billion as compared to the end of the previous year, and a growth rate of 49.25%, up one place in the city's ranking. The Bank was appointed by Chongqing PBOC as the leader of Chongqing financial institutions' environmental information disclosure working group, taking the lead in the research of environmental information disclosure system, and became the first financial institution in Chongqing to disclose climate and environmental information of the previous year through "Yangtze River Green Trade Financing".

Optimize the structure to improve the level of value creation. The Bank proactively adjusted the debt structure, strictly controlled the interest payment costs, enhanced value creation, and continuously improved the income contribution. The current account ratio of corporate deposits was as high as 69.79%, and the interest payment rate of deposits was 1.37%, which was at an excellent level among listed banks. The Bank made full use of the advantages of solid customer base and smooth cooperation channels, focused on asset business launch and customer classification pricing, and continued to deepen the corporate financial cooperation with central enterprises, key state-owned enterprises and high-quality private enterprises in Chongqing.

Empower by science and technology to effectively improve the quality and efficiency of services. The smart counter and Jiangyu Industrial Card achieved remarkable results, with the Company's business leaving the counter rate reaching 76%, representing a year-on-year increase of 4.8 percentage points. The extended ATM pipeline business volume amounted to 1.6 million, representing a year-on-year increase of 153%. The Bank realized the functions of intelligent product recommendation and data reminder through the CRM system of the new company, further enriching the marketing management means of the Company. On-line enterprise online banking 4.0 comprehensively enhanced customer experience, realizing the deep integration of corporate financial services and business operation. As of the end of 2021, the number of the Group's corporate online banking customers amounted to 142,700, representing an increase of 14.79% as compared to the end of the previous year, the transaction amount for the year amounted to RMB1,357.983 billion, representing a year-on-year increase of 48.87% and the number of financial transaction amounted to 10,960,000, representing an increase of 17.57% year-on-year.

2. *Institutional business*

The Bank made full use of the institutional platform to deepen the communication mechanism with the municipal party committees, bureaus and offices and keep abreast of the latest policy trends, capital flows and information trends. The Bank promoted the cooperation between the Bank and the Treasury Department of the Ministry of Finance, and obtained the short-listed qualification for the central treasury cash management in 2021-2023. The Bank interconnected with Chongqing Medical Insurance Bureau, obtaining the qualification of applying for electronic medical insurance certificates through the Bank's APP. The Bank signed a strategic cooperation agreement with Chongqing Red Cross Society to open a donation account of Chongqing Red Cross Foundation. The Bank had 1,584 newly-opened accounts of rural collective economic organizations, continuously consolidating the debt business foundation. The Bank was successfully selected as a pilot cooperative bank for flexible employees to deposit provident fund in Chongqing, with 11,396 persons opening new accounts and 9,837 persons purchasing products, and with an actual deposit of RMB60.22 million, ranking first among the selected banks in terms of the number of persons and the amount.

3. *International Business*

During the Reporting Period, the Bank recorded the international settlement of USD6,440 million, representing a year-on-year increase of 14.09%; recorded foreign exchange settlement of USD2,498 million, representing a year-on-year increase of 20.09%. Transaction volume of foreign exchange transaction ranked the first among local corporate Banks in Chongqing, of which the transaction volume of interbank current foreign exchange settlements amounted to USD6,491 million. The transaction volume of inter-bank forward and swaps foreign exchange settlements amounted to USD1,679 million. The foreign exchange settlement and sale contract of customer-driven forward swap amounted to approximately USD150 million, representing 4.6 times that of the same period last year. In 2021, the Bank's comprehensive evaluation of foreign exchange management was again rated as Class A by Chongqing Administration of Foreign Exchange, and the Bank was the only local legal person bank in Chongqing that maintained the highest level for six consecutive years. The Bank made remarkable achievements in promoting the self-discipline mechanism for bank foreign exchange business and cross-border RMB business of Chongqing, and was granted the award of the "I Do Practical Things for the People – Outstanding Contribution Bank".

Promote product innovation. The Bank issued the first foreign currency interbank deposit certificate business of USD10 million, becoming the first corporate bank in Southwest China to issue foreign currency interbank deposit certificates. The Bank innovatively launched cross-border credit enhancement products, handling the first cross-border loan of RMB5 million for science and technology in Liangjiang New Area under the government risk sharing mechanism in Chongqing. With live beef cattle as collateral, the Bank handled the first "cross-border financing loan of live beef cattle mortgage" of USD1 million in Chongqing, helping rural revitalization.

Strengthen the application of science and technology. The Bank proactively carried out the interconnection of scenarios of blockchain and was successfully interconnected with four scenarios, becoming the first local legal person bank in China to launch the direct connection function of "service trade tax filing information bank verification" and the first bank in Chongqing to use the scenario of "domestic and foreign currency freight payment" on the blockchain platform. The mobile phone has added the overseas remittance function of personal foreign exchange to realize zero breakthrough in online mobile terminal processing of personal foreign exchange business of Chongqing local legal person bank.

(IV) Financial Market Business

1. *Financial Inter-bank Business*

With risk control as the premise and development as the long-term goal, the financial interbank business of the Bank was supplemented by technological support to improve efficiency, jointly promoting the interbank business to grow steadily.

Establish brand image and increase the market influence. During the Reporting Period, the Bank's market influence steadily increased and its brand awareness further expanded. The trade volume in inter-bank market of the Bank reached RMB21.5 trillion and the Bank won two comprehensive awards, namely "Market Influence Award of the Year" and the "Market Innovation Award" issued by the China Foreign Exchange Trade System in 2021, and ranked first among rural commercial banks and ranked among top 20 in China. The Bank also won 7 single awards, including core dealer, money market dealer and bond market dealer. The Bank successfully won the first-class dealer qualification of open market business in 2021, and was the only legal entity in Chongqing that was approved with this qualification.

Promote the development and optimize the asset and liability structure. On the asset side, the Bank rationalized the pace of establishing asset positions according to the trend of interest rates and used flexible trading strategies to seize the opportunity to increase asset returns. On the liability side, the Bank explored for transaction in different markets, innovated financing channel, expanded customer types, diversified the debt resources with diversified trading methods and continuously reduced the cost of liabilities.

Seek transformation and broaden the space for interbank cooperation. Establishing the awareness of customer-centered service, and taking the completed business as a channel, the Bank has organized other departments throughout the Bank to take joint actions to dig deeper into the customer demand for interbank business by establishing a moderate competition mechanism for traders, thus creating a mutually beneficial and win-win ecosystem for the interbank business.

Improve the efficiency and promote online transformation for business. The Bank adapted to the market situation and the proportion of online business was increasing; it continued to improve the systemic support and further enhanced business online approval, so that transaction efficiency and the business standardized management were continuously improved.

(1) Bond investment

In 2021, the Bank conscientiously implemented the policy for financial support to the real economy, achieved a multi-level bond investment portfolio and continued to optimize its bond investment strategy by balancing liquidity and yield while ensuring safety. As of the end of 2021, the investment balance of the Group's bonds amounted to RMB419,772 million, of which government bonds, public institutions, and quasi-government bonds amounted to RMB276,765 million, with an increase of RMB93,951 million as compared with the end of the previous year; among other bonds, AAA¹ rated bonds were RMB92,103 million, representing an increase of RMB22,666 million over the end of the previous year. Among other bonds, AA+ rated bonds were RMB25,037 million, representing an increase of RMB322 million over the end of the previous year. Among other bonds, AA rated bonds were RMB25,035 million, representing a decrease of RMB3,038 million from the end of the previous year.

¹ Bond rating: Debt rating is prioritized. If there is no debt rating, the subject rating is used.

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(2) Financial institution bonds

As of the end of 2021, the carrying value of the Group's financial bonds amounted to RMB177,777 million which consisted of debt securities issued by policy banks of RMB94,859 million, asset securitization products of RMB73,019 million, commercial banking debts of RMB7,057 million and bonds issued by other financial institutions of RMB2,842 million. The breakdown of the top ten financial bonds held is as follows:

Unit: RMB million

Name of debt securities	Nominal value	Annualised interest rate (%)	Maturity date
Debt securities issued by policy banks in 2021	14,132.0	3.41	2031/6/7
Debt securities issued by policy banks in 2021	11,040.0	3.12	2031/9/13
Debt securities issued by policy banks in 2021	10,000.0	3.66	2031/3/1
Debt securities issued by policy banks in 2019	10,000.0	3.48	2029/1/8
Debt securities issued by policy banks in 2020	5,000.0	3.07	2030/3/10
Debt securities issued by policy banks in 2018	4,240.0	4.88	2028/2/9
Debt securities issued by policy banks in 2018	4,000.0	4.00	2025/11/12
Debt securities issued by policy banks in 2018	3,000.0	4.69	2023/3/23
Debt securities issued by policy banks in 2020	3,000.0	3.09	2030/6/18
Debt securities issued by policy banks in 2017	2,000.0	4.30	2024/8/21

2. *Asset management business*

In 2021, around the idea of “transformation and development”, the wealth management subsidiaries continued to improve the internal management of the company, promote business innovation and strengthen risk management to ensure the orderly and healthy development of the company. As of the end of 2021, the balance of wealth management products of the Group was RMB121.929 billion, and the balance of public offering products was RMB112.803 billion, representing an increase of RMB8.274 billion as compared to the end of the previous year, and a growth rate of 7.92%. The net value rate of wealth management products amounted to 100%, and the transitional rectification and transformation work such as net value transformation and stock assets rectification was successfully completed.

Continuously optimize internal management. The Bank established a corporate governance system in strict accordance with the regulatory requirements and the articles of association, and the Board of Directors, the Board of Supervisors and senior management fully performed their respective duties. In the pilot reform, the Bank implemented the product manager system, adhered to the market-based assessment and incentive mechanism, optimized the structure of talent team, and demanded benefits from the reform and power from the market. The Bank carried out various system construction and optimization work, started the construction of data middle office, and set up risk engine, credit evaluation management, rating, valuation impairment and other systems.

Continue to promote business innovation. The Bank proactively responded to major national strategies, fulfilled its social responsibilities, and continuously issued special wealth management products of “Chengdu-Chongqing Economic Circle”, exclusive wealth management products of the Yangtze River Economic Belt, theme series products of “benefiting farmers” and “rural revitalization”, and ESG theme wealth management products that raised funds to invest in green financial assets. The Bank proactively explored equity market businesses, steadily promoted investment strategies such as subscription of new shares and FOF, proactively participated in the investment in public offering REITs, and constantly enriched the connotation of “fixed revenue +”.

Continuously strengthen risk management. The Bank established the pre-event, interim-event and post-event risk prevention and control process, realized the systematic process of risk prevention and control, including pre-event identification and prevention, interim-event monitoring and evaluation and post-event self-examination and evaluation, and constantly improved the risk management system to effectively prevent credit risk, liquidity risk, operational risk, etc.

3. *Investment banking business*

During the Reporting Period, the Bank led underwriting of 19 debt financing instruments of non-financial corporations, with an aggregate underwriting share of RMB6.349 billion; newly joined underwriting syndicates for local government bonds of Hunan, Shandong, Jiangxi and Henan with the total number of syndicates joined reaching 23 and the local government bonds underwritten by syndicates joined amounting to RMB37.84 billion for the whole year, representing a year-on-year increase of 120.4%. The total underwriting amount of all kinds of interest rate bonds and credit bonds exceeded RMB100 billion. The Bank successfully completed the issuance of two-tranche green financial bonds of RMB3 billion, one tranche is the first green financial bond in the western region dedicated to helping realize the strategic goal of “peak carbon dioxide emissions, carbon neutrality”. The Bank successfully completed the issuance of the Bank’s first phase of perpetual bonds of RMB4 billion, and the issuance coupon rate was at a low level of similar bonds of commercial banks in 2021. At the same time, the Bank’s subsequent management system continued to optimize, the internal risk control was steadily strengthened, and the comprehensive development level of investment banking business was stable and orderly.

4. *Asset custodial business*

During the Reporting Period, the Bank achieved the steady development of the custody business by strengthening the marketing expansion of the custody business, promoting the continuous optimization of the operation process, enhancing the system technology support, improving the system construction and compliance review.

(V) Financial Technology

Release the dividend of organizational structure and give full play to the effectiveness of financial technology governance system. The Bank continued to play the role of the Bank's financial technology organizational structure of "one meeting one center and one department one laboratory"¹, giving priority to ensuring the talent allocation and resource supply of science and technology lines, and the investment in science and technology maintained rapid growth throughout the year. The Financial Science and Technology Management Committee effectively played the role of the senior management committee in coordinating and reviewing resolutions, comprehensively promoted the information technology construction of the Bank, and completed approval of more than 70 major projects throughout the year. The Financial Technology Center took the lead in promoting the efficient integration of technology and business with agile mechanism, strongly supported the innovation of products, processes and services of the Bank, and launched more than 10 online self-operated products, serving more than 10 million customers. The Science and Technology Information Department deeply cultivated the fields of information security, infrastructure and technology operation and maintenance to firmly ensure the stable operation of the information system of the Bank. As of the end of 2021, the total number of financial technology talents in the Bank exceeded 440, including 5 doctors, forming a talent echelon that covers the financial capability map and has independent and controllable capabilities.

Enrich the supply of digital products and enhance the service capacity of inclusive finance. As of the end of 2021, the balance of digital product loans of the Bank exceeded RMB100 billion. The number of independent innovation digital products that have been launched amounted to 11, covering all kinds of conventional businesses such as credit, mortgage, pledge, discount, installment, etc., covering personal, small and micro enterprises, credit cards, Sannong, direct sales, company and other businesses, and the product system has been continuously improved. The balance of the "Housing Fast Loan" product exceeded RMB20 billion, and it was awarded the "Excellent Case of Applied Innovation" by the 5th Excellent Case of Scientific and Technological Innovation of Rural Small and Medium-sized Financial Institutions. "Yuyue Loan" used multi-party safety learning technology, took cooperative institutions as the main entrance of traffic, and was awarded the "Big Data Excellent Case" in the 5th Excellent Case of Scientific and Technological Innovation of Rural Small and Medium-sized Financial Institutions. The series products of "Yukuai Revitalization Loan" realized the online application, approval and disbursement for the customers of Sannong through offline collection of filing rating data and external big data fusion.

¹ "One meeting one center and one department one laboratory" includes the Financial Technology Management Committee under the senior management level, the Financial Technology Center composed of five first-level departments of the Head Office, namely, the Financial Innovation Department, the E-banking Department, the Application R&D Center, the Data Management Department and the direct banking team, as well as the Information Department of Science and Technology and the Financial Technology Laboratory, of which the Financial Technology Laboratory was established in 2020, specializing in the application research of frontier technologies of financial technology, and providing a research environment for the post-doctoral working station of the Bank in the field of financial technology.

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Consolidate the underlying scientific and technological support to ensure digital operation and innovation. Taking Yuzui Data Center as the fulcrum, the Bank quickly improved the new infrastructure of two places and three centers, promoted the construction of Wanzhou remote disaster recovery center according to Class A computer room standard, and completed the bidding and procurement of computer room construction project. The Bank completed the relocation and expansion of the new disaster recovery center in the same city. The new computer room covers an area of 142 mu, the IDC computer room covers an area of 96,000 square meters, and the number of server cabinets in the same city center has nearly tripled. The Bank introduced the IaaS private cloud platform, brought the computing and storage capacity of the Bank into the resource pool, and gradually realized the unified interconnection of multi-center platforms, the unified utilization of cross-center resources and the unified monitoring of decentralized equipment. The IaaS private cloud platform has entered the installation and implementation stage. The Bank introduced distributed database technology, linked host systems in different locations, provided consistent and synchronous external data services, and consolidated the multi-activity deployment framework across centers. The first batch of distributed databases have been verified and tested and put into production. The Bank comprehensively improved the support rate of all systems for IPv6 networks, and basically achieved full support for the second and third level links of portal websites.

Deepen the independent innovation of science and technology, and realize the integrated development of financial technology and standards. Focusing on the innovation work with independent intellectual property rights such as artificial intelligence, risk control decision-making and experience improvement, the Bank proactively carried out protection work with patents and copyrights as the starting point. In 2021, the Bank obtained the authorization of five invention patents, completed the submission of 18 invention patent applications, and formed a “patent pool” of over 50 invention patents around the characteristic financial technology innovation, with more than 100 patents of all kinds of patents (including the acceptance and publicity stage) of the Bank. The Bank proactively promoted the application for software copyrights, and obtained software copyrights such as two open banking platforms and one management configuration. The Bank developed internal and external standards around the application of financial technology. The Bank participated in the formulation of 5 financial industry standards, 4 of which have been published, participated in the formulation of 10 group standards, 2 of which have been published, and completed the formulation of 9 corporate standards. The Bank proactively participated in the activity of “leaders” of enterprise standards, and three enterprise standards were listed in the list of “leaders” of enterprise standards in the financial field in 2021, among which the “Internet Banking Service Quality Standard” has been selected for three consecutive years, and relevant standardization construction experience has been selected for the China Financial Standardization Report (2020) by the China Financial Standardization Technical Committee. The Bank participated in the supervision of financial technology innovation sandbox to achieve compliance innovation. The project of “Rights and Interests Protection Service Based on Electronic Evidence Preservation” was successfully selected into the second batch of innovative applications of Chongqing financial technology innovation supervision tools (supervision sandbox). The project of “Smart Banking Service Supporting Chongqing Local Dialect” was tested, as a result of which the Bank became the first rural financial institution in China to complete the test of financial technology innovation supervision project “Chuhe”. The Group proactively responded to the construction of rural demonstration projects of financial technology empowerment carried out by the PBOC and other ministries and commissions, and five projects including video banking and dialect banking were included in the demonstration.

(VI) Financial Business in County Area

County area is the principle base where the Group carries out Sannong financial services. The financial business in county area has been a long-term strategic focus of the Group, and also one of the Group's major sources of revenue. During the Reporting Period, the Group took advantage of interactive linkage between urban and rural areas (城鄉聯動優勢), deepened internal reforms, actively innovated products, and strived to enhance the financial services in county area, all of which have led to the rapid growth of financial services in county area.

As of the end of 2021, the loan balance of the financial business of the Group in county area amounted to RMB302,700 million, representing an increase of RMB44,731 million, or 17.34% over the end of the previous year. In particular, the corporate loan balance of the financial business in county area amounted to RMB103,669 million which accounted for 33.81% of the corporate loan balance (inclusive of discount) of the Group, representing an increase of RMB1,758 million, or 1.73% over the end of the previous year. The personal loan balance of the financial business in the county area amounted to RMB199,030 million, representing an increase of RMB42,972 million, or 27.54% over the end of the previous year, accounting for 72.23% of the personal loan balance of the Group. The deposits balance in county area amounted to RMB536,280 million, representing an increase of RMB28,479 million, or 5.61% over the end of the previous year. The balance of agricultural loans amounted to RMB195,774 million, representing an increase of RMB25,360 million and the increase amount was 2.45 times of that of the same period of the previous year.

1. Pipeline Construction

As of the end of 2021, the Group had established 5 branches, 26 first-class sub-branches, 110 second-class sub-branches, 1,311 branch offices, 2 community branches and 12 village and township banks in county areas. At the same time, in order to continuously deepen basic financial services in rural areas and increase support for rural revitalization, the Group has established 2,983 ATMs, 291 multimedia inquiry machines and 1,693 smart integrated counters in county areas, and built and put into operation 472 rural convenience financial self-service points, which effectively expanded the customer service scope, provided more convenient services to customers in county areas, and effectively extended the Bank's financial service tentacles while facilitating people and benefiting farmers.

The Bank intensified the construction of county electronic pipelines and proactively marketed Jiangyu Card, Funong Card, Rural Revitalization Card, etc. As of the end of 2021, the Bank had issued a total of 19,154,400 debit cards in county areas, accounting for 78.69% of the debit cards issued by the Bank, of which 31,907 were rural revitalization cards; 1,282,600 credit cards were issued, accounting for 77.22% of the credit cards issued by the Bank, representing an increase of 218,900 as compared to the end of the previous year; 9,928,600 users opened mobile banking with the Bank, accounting for 79.74% of the users opening mobile banking with the Bank, representing an increase of 997,100 as compared to the end of the previous year. With the gradual optimization of electronic equipment and the increasing number of issued bank cards, the penetration rate of the Bank's financial business in county areas has been further improved.

2. *Business support*

In terms of county-level personal financial business, the Bank formulated and implemented special marketing plans to promote business development. Aiming at excellent customers such as county-level individual industrial and commercial households, large professional households, family farmers and entrepreneurial innovation leaders, the Bank strove to develop individual regional products, launched a complete product line from traditional deposit and loan remittance to new investment and financing, and launched personalized, differentiated and characteristic financial service interconnection for different types of individual customer groups, making use of the advantages of big data and online and offline integration to continuously improve customer service experience. At the same time, the Bank has carried out social endowment insurance agency business for urban and rural residents in all districts and counties of Chongqing. In 2021, the Bank withheld 4,661,300 old-age insurance premiums for urban and rural residents, the amount of which was RMB1.961 billion, and paid 55,057,600 pensions of various kinds on behalf of individuals, the amount of which was RMB21.286 billion, which provided a broad customer base for the Bank, helped the Bank to stabilize customer resources and promote the development of various businesses of the Bank.

In terms of financial business of county-level companies, the Bank gave full play to the role of financial support to rural revitalization in key areas such as helping the integrated development of urban and rural areas and the modernization of agriculture and rural areas. The Bank increased the lending of rural infrastructure loans, proactively met the demand for construction funds in rural transportation, water supply and power supply, and supported the improvement of rural living environment and the construction of rural domestic sewage treatment facilities. As of the end of 2021, the balance of loans to support rural infrastructure construction was RMB29.054 billion, representing an increase of RMB2.235 billion as compared to the end of the previous year. The Bank promoted breakthroughs in county-level clean energy projects, signed a strategic cooperation agreement with China Energy Huadian Chongqing Branch, and formulated special service plans for wind power customers. The Bank optimized and upgraded financial products, optimized, upgraded and launched the “Jiangyu Rural Revitalization Loan” on the basis of the original “Jiangyu Poverty Alleviation Loan”, and continued to support projects such as infrastructure and public service facilities in poverty-stricken areas to consolidate and expand poverty alleviation achievements. The Bank supported the improvement of comprehensive grain production capacity, proactively participated in farmland and land management projects in various regions and towns, granted a total credit of RMB16.017 billion to reclamation projects, released loans of RMB10.209 billion, and supported the reclamation of 186,800 mu of rural construction land.

In addition, the Bank helped promote the development of county-level economy through the tilt of financial resources of the wealth management subsidiary and the financial leasing company. Taking inclusive finance as the product design idea, the wealth management subsidiary has created the theme series wealth management products of “benefiting farmers” and “revitalizing the countryside” which are in line with the characteristics of rural areas, and created a new model of “wealth management + rural revitalization”, providing rural investors with the optimal allocation of wealth, implementing the support for agriculture and benefiting farmers and serving the county-level economic construction. The financial leasing company adhered to the basic position of Chongqing area in the company’s regional strategy, and focused on supporting culture and tourism, ecological engineering, rural revitalization, modern agriculture and other projects in the “two groups” area around the coordinated development pattern of “one district and two groups”. As of the end of 2021, the balance of leased assets in Chongqing amounted to RMB13.325 billion with the proportion of 78.91% in county areas. In 2021, the amount of newly invested in rental projects in Chongqing amounted to RMB5.485 billion, with the proportion of 61.80% in county areas.

3. *Improve the comprehensive service capacity*

The Bank continuously enhanced the capacity of Sannong financial services, solely prepared the agricultural loans and the inclusive agriculture-related credit plan, established the special assessment scheme to provide performance incentives to the business relating to consolidating and expanding its achievements in poverty alleviation and promoting the implementation of the rural revitalization. Focusing on the idea of optimizing and upgrading services in inclusive finance, the Bank accelerated the innovation of products and service models and increased the financial supply for Sannong. The Bank strove to promote cooperation models such as bank to government and bank to guarantor, further promoted the integration and development of “Three Cooperatives”, earnestly carried out the rating of files for key villages and towns in rural revitalization, innovated the online and offline two-way driving, launched credit products covering various ways such as credit, guarantee, mortgage and risk compensation and credit enhancement, accelerated the application of new technologies such as cloud computing, big data and artificial intelligence, helped speed up the loan process, and met the financial needs of scattered, mobile and fast customers in rural areas.

(VII) Principal Controlled and Investee Companies

1. *Information on Controlled Subsidiaries*

(1) Village and township banks

CQRC Village and Township Bank is a general name for the village and township banks established by the Bank as the major promoter. The establishment of village and township banks is of great significance to fulfilling the Rural Revitalization Strategy, performing social responsibility, broadening and deepening the service to new rural construction, exploring the development of business growth and establishing a sustainable model for the growth of profit of the Bank. As of the end of 2021, the Bank has established 12 CQRC Village and Township Banks in 12 counties (districts/cities) across 5 provinces, of which the shareholding ratio is not less than 51% for all, with aggregate registered capital amounting to RMB1,662 million, total assets amounting to RMB4,639 million, net assets amounting to RMB1,818 million, the respective balance of deposits and loans amounting to RMB1,977 million and RMB3,905 million, NPL ratio and provision coverage rate of 0.50% and 732.54%, respectively, and net profits amounting to RMB63 million; The overall business development maintained robust; the asset quality continuously remained an improving trend; the main risk regulatory indicators met regulatory requirements and the sustainable operation capability was continuously enhanced.

(2) CQRC Financial Leasing Co., Ltd.

CQRC Financial Leasing Co., Ltd. is a controlling subsidiary of the Bank. It was established in December 2014 with a registered capital of RMB2.5 billion. It is mainly engaged in financial leasing business, assign and transfer of finance lease assets, fixed income securities investment business, interbank lending, borrowing from financial institutions, sales and disposals of leased property, brokerage consulting, and establishment of project companies in domestic bonded districts to conduct leasing business, etc. The Bank held 80% equity interests of CQRC Financial Leasing. As at the end of 2021, the total assets and net assets of CQRC Financial Leasing was RMB44.989 billion and RMB5.017 billion, respectively, recording net profit of RMB810 million in 2021.

(3) CQRC Wealth Management Co., Ltd.

CQRC Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank. It was established in June 2020. It is the first wealth management subsidiary of rural commercial banks in China and corporate banks in western China, with a registered capital of RMB2 billion. It is primarily engaged in public offering of wealth management products to the general public, investment and management of properties entrusted by investors; private placement of wealth management products to qualified investors, investment and management of properties entrusted by investors; wealth management advisory and consulting services; and other businesses approved by the banking supervisory authorities of the State Council. As at the end of 2021, the total assets and net assets of CQRC Wealth Management were RMB2.476 billion and RMB2.366 billion, respectively, recording net profit of RMB356 million in 2021.

2. *Principal Investee Companies*

Chongqing Xiaomi Consumer Finance Co., Ltd. is the second licensed consumer finance company in Chongqing. It was established in May 2020 and is mainly engaged in granting personal consumer loans. Its registered capital was RMB1.5 billion. The Bank held its 30% equity interests. As at the end of 2021, the total assets and net assets of Xiaomi Consumer Finance were RMB6.316 billion and RMB1.505 billion, respectively, recording net profit of RMB3.68 million in 2021. (Unaudited financial information)

IV. Key Operation Concerns

(i) About profitability

In 2021, the Group achieved an operating revenue of RMB30.850 billion, representing a year-on-year increase of RMB2.668 billion or 9.47% and the increment increased by 3.69 percentage points year-on-year. It recorded a net profit of RMB9.718 billion, representing a year-on-year increase of RMB1,154 million or 13.47%. The main factors are analyzed as follows:

Firstly, the operating revenue has achieved steady growth. On the one hand, the Group achieved a net interest revenue of RMB26.235 billion, representing a year-on-year increase of 8.19%, mainly because the Group actively optimized the asset structure, continuously increased the proportion of loans and the proportion of retail loans, further strengthened the cost control of deposit interest payment, adopted the pricing strategy of “low listing + special product interest rate”, and matched differentiated deposit products to carry out precise marketing to effectively control the level of deposit interest payment. On the other hand, the Group achieved non-interest revenue of RMB4.615 billion, representing a year-on-year increase of 17.34%, mainly the Group moderately improved allocation of financial assets measured at fair value through profit and loss, strengthened market analysis, seized opportunities for opening a position and trading. The investment income and gains or losses from changes in fair value recorded a year-on-year increase. Bond lending, bond underwriting and other business developed well, driving an increase in non-interest income; at the same time, the Group actively complied with the regulatory orientation, and continuously increased the support for small and micro enterprises, and the reward revenue of deferred repayment of principal and interest in the central bank’s monetary policy increased.

Secondly, continuously optimize the allocation of financial resources. In 2021, the Group’s operating expenses amounted to RMB8.796 billion. The Group focused on increasing the investment in scientific and technological innovation, which laid the foundation for continuously improving profitability. The cost-revenue ratio was 27.51%, which was controlled at a good level of listed banks. Focusing on the strategic orientation of “propelling the Bank with technology”, the Group has continuously increased the investment in scientific research and development and strategies, accelerated the popularization and application of the smart platform, continuously enriched the digital product system, built a digital credit decision-making system, continuously promoted business and management innovation, optimized the input-output efficiency, carried out financial resource allocation in a differentiated manner, refined cost control measures, streamlined daily expenses and reasonably controlled operating costs.

Thirdly, prudently make the provision for impairment. In 2021, the Group continued to optimize its business structure, further increased the provision for impairment losses of credit and other assets and the disposal of non-performing assets, as a result of which the asset quality indicators continued to improve. In 2021, the Group made provision for asset impairment loss of RMB10.853 billion, representing a year-on-year increase of 6.30%, mainly because the Group made provision of loan impairment according to the principle of prudent and stable operation.

Looking forward to 2022, China's economy will continue to maintain a recovery trend, but the global COVID-19 pandemic is still complicated and changeable, it is more difficult for China's economy to maintain a stable operation as a whole, and the profitability of enterprises is still facing a grim situation. However, Chongqing will make every effort to upgrade its industrial level, including actively promoting the Chengdu-Chongqing Economic Circle, building a national advanced manufacturing center, building an international consumer center city and a western financial center, and so on, which will create many structural opportunities. Under this background, the Group will always adhere to the strategic of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents", lay a solid foundation for transformation and upgrading, and promote the reasonable growth of assets and liabilities, continuous optimization of business structure, continuous consolidation of customer bases by "compensating prices by quantity, compensating prices by structure, creating top-notch products and strengthening asset quality control", so as to promote steady growth in operating results.

Firstly, keep the scale developing steadily. The Bank will give full play to the advantages of outlets and personnel to continuously maintain the absolute advantage of deposit growth, and at the same time, continuously explore new growth points of asset business to promote the steady growth of various businesses. Secondly, continuously optimize the business structure. The Bank will increase the contribution of credit business to the development of the Bank, increase the proportions of loans, retail loans and independent online loans, actively expand the sources of deposits, strengthen the settlement and deposit of working capital, and continuously optimize the deposit structure. Thirdly, dig the potential of customers in depth, and increase the development of non-interest revenue. The Bank will focus on the principle of "obtaining customers to drain", "active customers having viscosity" and "excellent customer creating benefits", actively dig the comprehensive value of customers, create benefits in the transformation from customers to users, actively expand service-oriented revenue channels, and continuously increase the contribution of non-interest revenues such as financial assets measured at fair value through profit and loss. Fourthly, strive to properly make asset quality control. The Bank will strengthen the application of intelligent monitoring means, carry out risk investigation and resolution in a forward-looking manner, continuously strengthen post-loan management and improve risk management capabilities. Fifthly, continue to promote refined cost management. The Bank will formulate a differentiated financial resource allocation plan, build a practical and refined management system, further increase investment in scientific and technological innovation, and give full play to the leverage of financial resources.

(ii) About net interest margin

In 2021, the Group's net interest margin was 2.17%, representing a year-on-year decrease of 8 basis points. On the one hand, affected by the cumulative effect of the repeated reduction of the loan prime rate (LPR) in 2020, and at the same time, the Group actively implemented the policy of reducing fees and surrendering profits and the regulatory orientation, effectively reducing the financing cost of the real economy, so the various loan yield levels declined in 2021. On the other hand, although the interest payment costs of the Group's deposits have been effectively controlled thanks to the differentiated pricing strategy, this year, the Group has continuously increased its loan investment, and the fund demand has increased substantially. In order to meet the needs of business development, the Bank has moderately increased the scale of inter-bank financing, and the interest payment liability costs have generally increased slightly.

Looking forward to 2022, the monetary policy will remain stable and neutral, and the policy tone of reducing the comprehensive financing costs for the real economy will remain unchanged as a whole. At the end of 2021 and the beginning of 2022, the loan prime rate (LPR) was lowered twice, and the loan yield will face greater downward pressure, and in addition, the competition in the deposit market will intensify and the interest rate in the capital market will continue to fall, so the net interest margin will still face narrowing pressure. The Group will continue to strengthen the forward-looking and flexible management of assets and liabilities, continuously improve the level of refined management, accelerate the transformation and upgrading of business structure, and strive to control the net interest margin at a reasonable level.

On the asset side, firstly, we will actively support the development of the real economy, continuously promote the high-quality development of interest-earning assets, closely follow the construction progress of the Chengdu-Chongqing Economic Circle, the requirements of regional economic structure adjustment and industrial upgrading, arrange infrastructure financing moderately ahead of schedule, connect with real manufacturing and green environmental protection projects through multiple channels, and properly reserve and launch strategic emerging projects; secondly, we will continue to increase the contribution of credit business to the development of the Bank, increase the investment of credit business, continuously promote the digital construction of products, enhance the competitiveness and market recognition of online products, and promote the steady increase of the proportion of retail and independent online loans; thirdly, we will strengthen financial market research, enrich investment strategies, timely expand business varieties, enrich trading targets, build financial asset trading markets, and improve the steady income level of fund utilization; fourthly, we will optimize the operation and management mechanism of assets and liabilities, continuously optimize the asset-liability portfolio decision model, promote the upgrade of the asset-liability portfolio management model, and balance the coordinated development among scale, risks and benefits; and fifthly, we will promote the differential pricing of loans, strengthen the analysis and research of market interest rates and inter-bank product pricing, further dig the business scenarios of customer credit demands, optimize pricing strategies by business, product and customer groups, and strive to improve the differentiated and refined pricing level.

On the liability side, firstly, we will give full play to the advantages of traditional channels, personnel and products, actively seize the opportunities in the savings deposit market, continue to consolidate the original market share leading edge, and keep the deposit scale growing steadily; secondly, we will continue to consolidate the cost advantage of deposit interest payment, further adopt the pricing strategy of “low listing interest rate plus moderate product interest rate”, continuously strengthen the limit and price control of products with high interest payment, strengthen the post-evaluation and adjustment mechanism, improve the differentiated pricing ability of products, period and amount, and promote the balanced development of deposit volume and price; thirdly, we will closely follow the guiding trend of regulatory interest rates, issue financial bonds and perpetual bonds at the right time, strive for the implementation and application of monetary policy tools for carbon emission reduction, moderately expand the scale of active liabilities, expand diversified sources of liabilities, and continuously optimize the debt structure; and fourthly, we will implement a steady and prudent liability quality management strategy, and further strengthen the liability quality management from the aspects of the stability of liability sources, the diversity of liability structures, the rationality of liability and asset matching, the initiative of liability acquisition, the appropriateness of liability costs and the authenticity of liability items, so as to promote the steady development of liability businesses.

(iii) About asset quality

In 2021, the Group continuously promoted the optimization of credit structure, and at the same time, strengthened asset quality control. The proportion of the last four types of loans decreased steadily, the loan overdue rate remained at a low level, the annual non-performing rate decreased on a year-on-year basis, the prudence of risk classification was further improved, and the overall asset quality improved.

Firstly, asset quality continued to improve. In 2021, the percentage of the last four types of loans of the Group decreased steadily and recorded at 3.17% at the end of 2021, representing a decrease of 0.50 percentage points over the end of the previous year, among which, the NPL ratio was 1.25%, representing a decrease of 0.06 percentage point over the end of the previous year; the percentage of loans of concern was 1.92%, representing a decrease of 0.44 percentage point. Various indicators maintained at an excellent level in the industry. At the same time, in 2021, the downward pressure of asset quality eased, and the non-performing rate decreased on a year-on-year basis. Secondly, risk classification kept prudent. The Group continued to strengthen the monitoring and evaluation of potential risks, and timely lowered the classification level of loans with substantial risks. As at the end of 2021, the overdue loan ratio of the Group was 1.18%, which has been kept below the non-performing ratio for three consecutive years; all loans overdue for more than 60 days of the Bank were included into non-performing loans, and the ratios of non-performing loans overdue for more than 90 days and 60 days were 58.56% and 65.82%, respectively, representing decrease of 4.71 percentage points and 2.89 percentage points as compared to the end of the previous year; and the classification prudence continued to improve. Thirdly, the risk of deferred loans was generally controllable. As of the end of 2021, the balance of small and medium-sized micro-loans with deferred repayment of principal and interest according to the relevant policies during the COVID-19 pandemic period amounted to RMB8.8 billion (excluding accrued interest), representing a decrease of RMB4.4 billion

as compared to the end of the previous year, and accounted for 1.51% of the Group's loan balance, representing a decrease of 1.1 percentage points as compared to the end of the previous year. The Group continued to carry out risk assessment for the loans mentioned above, dynamically implemented risk classification management, accurately reflected asset quality, made adequate impairment provision, and orderly released the risk of deferred loans. As of the end of 2021, the average impairment provision ratio of the above loans was 33.15%, which had little impact on the Group's subsequent operations as a whole. Fourthly, the collection and disposal of off-balance-sheet non-performing loans continued to increase. The Group gave full play to the "baton" role of assessment, and actively guided business institutions to intensify the collection and disposal of off-balance-sheet non-performing loans. In 2021, the Group collected RMB1.236 billion of assets that had been written off, representing a year-on-year increase of RMB369 million or 43%.

On the whole, the Group cleared out the large-amount potential risks in an orderly manner in the early stage, and at the same time, its capability to offset risks continued to increase. As of the end of 2021, the ratio of loans overdue for more than 60 days and non-performing loans of the Group had decreased and remained at a low level as compared with the end of last year, and the overdue rate continued to be lower than the non-performing rate, with the non-performing generation rate significantly decreasing year-on-year. The asset quality was further consolidated.

Looking forward to 2022, the characteristics of China's economic development with strong resilience, great potential, broad prospects and long-term improvement will continue, and it is expected that the domestic economy will keep recovering. However, we are also concerned that the domestic economic development is still facing the pressures of shrinking demand, supply shock, weakening expectations, etc. These pressures, together with the current relaxation of control in some developed economies, the accelerated spread of the COVID-19 pandemic and the escalation of international political and economic disputes, will bring uncertainty to the domestic economic recovery. Facing the more complicated external environment, firstly, the Group will closely follow the policy orientation, strictly control access, optimize the structure and promote the steady development of businesses. Secondly, the Group will further strengthen risk monitoring, continue to dynamically assess the real risks of loans, adhere to prudent classification standards, and ensure that loan risks are truly and timely reflected, so as to consolidate the asset quality. Thirdly, the Group will adhere to the forward-looking provision for loan impairment and maintain an adequate level of risk offset. Fourthly, the Group will continue to increase the collection and disposal of non-performing assets on the balance sheet and the revitalization of non-performing assets off the balance sheet, and take multiple measures to actively respond to the external environmental impact. At the same time, it is expected that the downward pressure of the Group's asset quality will be further alleviated in 2022, and the asset quality will continue to maintain a good level by orderly clearing out large-amount potential risks in the early stage.

(iv) About impairment provision

The Group has always adhered to the principles of compliance, prudent and stable operation and the business philosophy of giving equal importance to efficiency and scale, quality and speed, and internal control and development. As at the end of 2021, the provision coverage ratio of the Group was 340.25% and the provision-to-loan ratio was 4.27%, representing an increase of 25.30 percentage points and 0.15 percentage point as compared to the end of the previous year, maintaining at a high level and ranking at the front of listed banks. The Group's provision coverage ratio of loans overdue for more than 90 days was 581.05%, and that of loans overdue for more than 60 days was 516.92%, representing an increase of 83.25 percentage points and 58.56 percentage points as compared with the same period of the previous year, respectively, further enhancing the risk replenishment capability. In addition, provision made by the Group continued to be forward-looking. In 2021, the Group made provision for credit impairment loss of RMB10.852 billion, representing a year-on-year increase of 6.30%, among which, the provision of the company line amounted to RMB8.530 billion, representing a year-on-year increase of 12.21%, which was mainly used for the disposal and write-off of potentially large-value risky loans that the Group actively lowered and the repeated increase of management beyond the model factors, laying a solid foundation for future asset quality control.

V. Risk Management

During the Reporting Period, facing the spread of COVID-19 pandemic and the new downward pressure on the economy, the Group resolutely implemented the policies of governments and regulatory authorities at all levels, and continuously expanded the breadth, depth and precision of risk management, so as to help the Bank to develop with high quality. Firstly, "build a platform". The Group issued the annual statement of group risk appetite, revised 12 risk management systems, independently completed the Bank's recovery and disposal plan for the first time, and built a large-amount risk exposure management system. Secondly, "strict monitoring". The Group carried out multi-dimensional risk monitoring, linked with provision and disposal of non-performing assets, and always maintained a strong risk replenishment capability; all loans overdue for more than 60 days were included into non-performing loans, and the classification was more prudent. Thirdly, "re-evaluation". The Group adhered to prudent and differentiated authorization evaluation, decentralizes its authority appropriately to support retail transformation and rural revitalization, and made professional and comprehensive evaluation of product innovation. Fourthly, "strong measurement". The Group completed the development of the new non-zero internal rating model and retail loss given default model, preliminarily completed the risk cost calculation in loan pricing, included the risk impairment provision in the performance appraisal of the Bank for the first time, and conducted the special stress test of environmental risk for the first time. Fifthly, "strengthen implementation". The Group paid attention to management innovation, optimized the license management and consolidated management by template and list system, and implemented the annual regulatory opinions and management requirements item by item. At the end of the Reporting Period, all kinds of risks of the Group were generally controllable, and the level of risk management was more suitable for the scale and complexity of business.

The Group will make efforts in four aspects: “improving risk management mechanism and tools, ensuring timely and comprehensive obtaining of risk information, giving full play to the role of technology in promoting management, and ensuring the implementation effect of management measures”; in addition, the Group will strive to improve the capabilities of risk target control, forward-looking identification, quantitative analysis, accurate monitoring and efficient disposal, and continuously improve the overall risk management level.

(1) Risk Management Structure

The Bank’s risk management structure consists of the Board of Directors, the Board of Supervisors, senior management and related special committees authorized by it, the headquarters’ risk management department, other relevant functional departments, the audit department and branches and subsidiaries. The Board of Directors assumed the ultimate responsibility for comprehensive risk management and set up a risk management committee to perform responsibilities related to comprehensive risk management with the Board’s authorization. The senior management assumed the responsibilities for implementing comprehensive risk management, implementing Board resolutions, and set up risk management committees to make collective decisions on risk management related matters. The Board of Supervisors assumed the responsibilities for overseeing overall risk management, supervising and inspecting the due diligence performance of the Board of Directors and senior management in respect of risk management and supervising their rectification.

The headquarters’ risk management department took the lead in the daily management of comprehensive risks, and was responsible for leading the implementation of comprehensive risk management system and timely reporting to the senior management on the Group’s comprehensive risks and various major risks. Each department of the headquarters assumed direct responsibility for the risk management of the line and the department, and managed various risks of the Bank including credit risk, market risk, liquidity risk, and operational risk in accordance with the division of responsibilities. The audit department of the headquarters is responsible for performing internal audits on relevant performance. Each branch is responsible for the daily management of comprehensive risks of the branch. Under the framework of the Bank’s overall risk appetite and risk management policies, each subsidiary institution has established a comprehensive risk management system that is appropriate to the nature, scale and complexity of its business.

(2) Credit Risk Management

Credit risk refers to the risk of losses of banking business arising from failure of the borrower or the counterparty of the Bank to fulfil relevant obligations as per the contract for various reasons.

In 2021, the Group has actively responded to the current complex and changing internal and external environment, earnestly implemented macro policies of the state, and strengthened credit risk control based on the work idea of “strengthening management, controlling risk, and stabilizing development”. Firstly, the Bank has further improved the credit risk management system. The Group continued to optimize management system and procedure and has issued annual credit investment guidelines to guide the continuous optimization of credit structure after taking into account the current macro-economic situation. The Group established and improved a multi-dimensional credit approval process indicator, visual management and evaluation system, and strictly managed the approval process. The Group relied on the big data risk control model to establish an early warning rule system to initially realize intelligent risk early warning. Secondly, strengthen credit risk control in key areas. The Group strengthened the control of unified credit and limit, earnestly managed the industry concentration, continuously monitored and evaluated the risk of loans with deferred repayment of principal and interest, and made sufficient provision for impairment. Thirdly, continuously enhance the technical support of risk measurement. The Group optimized the non-retail and retail internal rating models, regularly updated the rating results of customer dimension and liability dimension, improved the accuracy of internal rating, and at the same time, strengthened macroeconomic analysis, conducted credit risk stress tests, and quantified the Group's ability to cope with extreme situations. Fourthly, the Group continued to strengthen the limit control of large-amount credit business, strictly guarded against concentration risks, pushed forward the construction and trial operation of the large-amount risk exposure management system, and continuously improved the large-amount risk exposure management capability. As at the end of 2021, the relevant indicators of the Group's large-amount risk exposure are performing better than regulatory standards.

(3) Market Risk Management

Market risk refers to the risk of losses from on-balance-sheet and off-balance-sheet businesses of the Group arising from adverse changes in the market price (such as interest rate, exchange rate, stock price and commodity price, etc.). The market risks faced by the Group mainly include interest rate risk and exchange rate risk. The purpose of market risk management is to control potential market risk losses through monitoring and other measures to the extent that the Group can bear and maximize risk-adjusted returns.

The Group proactively manages its interest rate risk and exchange rate risk in accordance with the regulatory requirements of the Group and with reference to the relevant provisions in the “New Basel Capital Accord”. The Group has also formulated a management system for market risk through regulations on authorisation, credit extension and risk limit, and measures such as monitoring and reporting.

Management Discussion and Analysis

In 2021, the Group continued to improve its proactive market risk management capabilities and steadily advanced various management tasks. Firstly, the Group further optimized the market risk management system, revised the Administrative Measures on Comprehensive Market Risk (《市場風險綜合管理辦法》), Administrative Measures on the Market Risk Limit (《市場風險限額管理辦法》), and Administrative Measures on the Market Risk Pressure Testing (《市場風險壓力測試管理辦法》), further improved market risk management system and consolidated management basis; secondly, the Group formulated a full-year market risk limit plan in accordance with the business plan. It has clearly formulated measures for limits management and control and organization guarantee, proactively researched and responded to the market fluctuation and monitored and alerted risks. Thirdly, in light of the current macro policies and economic situation, the Group reasonably adjusted the stress test scenario, assessed the impact on capital under different stress scenarios, and pursuant to the regulatory requirements, carried the stress test on market risk, improved its forward-looking analysis of market risk and continuously improved the refined market risk management level. Fourthly, the Group strengthened the market risk management at the group level, conducted market risk stress test training for affiliated institutions, and improved the overall market risk management level of the Group. Fifthly, the Group constantly improved the system construction, built a market risk monitoring mechanism for new businesses in the system, provided system support for the development of new businesses, and ensured timely and effective risk monitoring. Sixthly, the Group strengthened interest rate analysis, and regularly conducted macro-environment and market interest rate research and analysis, especially forward-looking analysis of LPR and deposit product interest rates.

1. *Interest Rate Risk Analysis*

Interest rate risk is the major market risk faced by the bank accounts. The Group measures interest rate sensitivity gap on a regular basis, evaluates interest rate risk through gap analysis, and further assesses the impact of interest rate changes on net interest income and economic value in varied interest rate scenarios.

Management Discussion and Analysis

In 2021, the overall liquidity of the bank system was reasonably abundant. In the first half of the year, China has coordinated and promoted the prevention and control of the epidemic and economic and social development, and vigorously implemented macro policies. As a result, the national economy in general continued its stable recovery, the macro economy was stable and improving, and the monetary policy remained sound. In the second half of the year, affected by the mutant strains in COVID-19, the pandemic prevention work was stepped up in some areas in China, the economic recovery in different areas was uneven, and the differentiation of domestic economic structure was increased. The policy was mainly to control the financing channels of real estate and urban investment platforms to achieve the effect of structural adjustment. On the whole, due to the prominent downward pressure of real estate investment, consumption demand shocks caused by COVID-19 variation, and limited recovery of infrastructure construction, etc., the central bank's monetary policy continued to remain neutral and wide, and the central bank implemented two across-the-board RRR cuts to support the economy during the year, eventually driving the 1-year LPR down to 3.8%. In 2021, shibor interest rates of one month and above showed a slow downward trend. The Group will pay close attention to the macro monetary policy and the COVID-19 pandemic at home and abroad, improve the forward looking of interest rate risk management, and strengthen the differential refined pricing of internal and external interest rates, so as to ensure the continuous improvement of the Group's revenue and market value. The structure of the Group's interest rate risk gap on the contract re-pricing date or maturity date (whichever was earlier) is as follows:

31 December 2021							
(Expressed in RMB million)	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Interest rate gap	<u>5,318.4</u>	<u>(109,378.0)</u>	<u>(181,413.7)</u>	<u>(732.6)</u>	<u>345,362.3</u>	<u>38,449.1</u>	<u>97,605.5</u>

31 December 2020							
(Expressed in RMB million)	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Interest rate gap	<u>(125,962.3)</u>	<u>(68,593.5)</u>	<u>(44,241.4)</u>	<u>88,510.0</u>	<u>155,894.8</u>	<u>82,328.2</u>	<u>87,935.8</u>

As at the end of 2021, the Group's accumulated gaps of interest rate for all maturities amounted to RMB97.606 billion, representing an increase of RMB9.67 billion over the end of the previous year.

Management Discussion and Analysis

2. Interest rate sensitivity analysis

The following table illustrates the interest rate sensitivity analysis of the Group on the assumption that the overall interest rate in the market moves in parallel and not considering any risk management actions the management may take to mitigate interest rate risk:

(Expressed in RMB million)	The Group 31 December 2021		The Group 31 December 2020	
	Impact on net profit	Impact on other comprehensive income	Impact on net profit	Impact on other comprehensive income
Increase in 100 basis points	505.6	355.2	347.4	118.5
Decrease in 100 basis points	<u>(505.6)</u>	<u>(355.2)</u>	<u>(347.4)</u>	<u>(118.5)</u>

3. Exchange Rate Risk Analysis

Exchange rate risk primarily results from mismatches in the currency denomination of the Group's assets and liabilities and currency position mismatches caused by currency mismatched between capitals and foreign currency transactions. The Group mainly adopts foreign exchange exposure analysis, sensitivity analysis and other means to measure exchange rate risk. The Group is mainly engaged in the Renminbi business with certain transactions related to US dollars, Euro and HK dollars but seldom conducts transactions in other currencies. Transactions in foreign currencies are mainly the Group's self-operated and agency current business, self-operated and agency swaps business and agency forward business.

In 2021, the fluctuation range of USD/RMB exchange rate was between 6.35 and 6.57. The USD/RMB exchange rate fell by 2.52% in the whole year, and the trend showed that it rose first and then fell in the first half of the year, and continued to fall in the second half of the year. In the first half of the year, the USD/RMB exchange rate was in rapid fluctuation, especially in April and May, the value of RMB rose rapidly, and retreated in June, and then continued to rise again in the second half of the year, mainly because China's balance of payments surplus expanded significantly, which supported the strong performance of RMB among non-USD currencies in the world. The Bank actively controlled its exposure to USD in the face of the sharp depreciation of USD. As of the end of December, the foreign exchange exposure had decreased by 37.3% as compared to the end of the previous year, and the foreign exchange risk was generally controllable. Looking forward to 2022, it is expected that the RMB exchange rate will maintain a two-way fluctuation trend, and the overall trend will be weak. On the one hand, the central bank has released the signal of "cooling down" of RMB exchange rate. Since 15 December 2021, the foreign exchange deposit reserve ratio of financial institutions has been raised by 2 percentage points, and the excessive strength of RMB has been restrained by tightening the liquidity of USD. On the other hand, on 16 December (Beijing time), the Federal Reserve Board announced that it would accelerate the reduction of bond purchases, which is relatively tight in domestic policies. It is expected that USD will rise, and the interest margin spread between China and the United States will tend to gradually narrow, bringing negative pressure on RMB. However, China's economy still has strong resilience, the government has sufficient policy control tools, and the downside of RMB exchange rate depreciation is limited. On the whole, the current complicated external factors will lead to greater uncertainty in the future trend of RMB exchange rate. The Group will continuously pay attention to global economic situation, strengthen the study and judgment on the trend of foreign exchange rate and reasonably allocate local and foreign currency assets. The Group strengthened its management capability of its exposure to foreign exchange risks and the management standard of foreign exchange assets and liabilities by enhancing the dynamic management of the deposits and loans of foreign exchange and arranging the utilization of foreign exchange capital reasonably. It also actively explored the usage of derivative financial instruments for exchange rate to hedge against exchange rate risk.

Management Discussion and Analysis

As at the end of December 2021, the position of foreign currencies on the Group's balance sheet denominated in RMB is as follows:

(Expressed in RMB million)	31 December 2021				Total
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	
Net position	<u>96,801.8</u>	<u>551.4</u>	<u>267.8</u>	<u>(15.5)</u>	<u>97,605.5</u>

(Expressed in RMB million)	31 December 2020				Total
	RMB	U.S. dollars RMB equivalent	HK dollars RMB equivalent	Other currencies RMB equivalent	
Net position	<u>87,732.9</u>	<u>(377.8)</u>	<u>189.1</u>	<u>391.6</u>	<u>87,935.8</u>

4. Exchange rate sensitivity analysis

The following table illustrates the exchange rate sensitivity analysis of the Group on the assumption that the RMB exchange rate against USD in the market moves and not considering any risk management actions the management may take to mitigate exchange rate risk:

(Expressed in RMB million)	31 December 2021	31 December 2020
Exchange rate changes	Impact on net profit	Impact on net profit
5% appreciation	(20.7)	12.8
5% depreciation	<u>20.7</u>	<u>(12.8)</u>

(4) Liquidity Risk Management

Liquidity risk refers to the risk of inability in getting sufficient funds at reasonable costs in a timely manner to meet the due liabilities or other obligations for payments or other capital needs required for the conduction of normal business. The objective of liquidity risk management of the Group is to meet the liquidity needs of asset, liability and off-balance sheet activities and meet its payment obligation to external parties on a timely basis, to maintain stable operation with overall security, to protect the interests of depositors, and to effectively balance fund profitability and overall security no matter during the normal operation or at a highly stressed condition through the development of a scientific and comprehensive liquidity risk management mechanism and the implementation of effective identification, measurement, monitoring and reporting measures on liquidity risk. The Board of Directors of the Group is ultimately responsible for liquidity risk management. The Asset and Liability Management Commission and Risk Management Commission under senior management are responsible for establishing policies and strategies relating to the Group's overall management of liquidity risk. The Assets and Liabilities Management Department, the Risk Management Department, the Capital Operation Department, the International Operations Department and other related departments cooperated with each other to form an organizational structure of liquidity risk management with division of work and cooperation, clear responsibilities and efficient operation. The Group ensured payment through continuous monitoring and management of positions across the Bank. The Group, leveraging its unremitting efforts in strengthening liquidity monitoring as well as the application of the FTP, a system for internal fund transfer pricing, had improved the management of internal fund allocation under the system. The Group updated liquidity pressure tests scenarios annually and carried out liquidity pressure tests quarterly to examine the ability of the Group to withstand risks under extreme pressure. The results showed that the management of liquidity risks under pressure, though more difficult, was controllable.

In 2021, the Group adhered to the prudent and compliant business philosophy to set the liquidity risk preference in 2021, evaluated and revised the annual liquidity risk limit control plan according to the Detailed Rules for the Management of Liquidity Risk Limits of Chongqing Rural Commercial Banks, and continuously carried out forward-looking liquidity risk indicator measurement with the limit control as the guidance; in addition, the Group made arrangements in advance and dynamically adjusted the liquidity risk management strategy according to the forward-looking measurement results, continuously monitored various liquidity risk indicators, and regularly conducted internal notification to help the liquidity risk indicators continuously meet the standards. The Group strengthened daytime liquidity risk management, ensured the security of payment and settlement, and continuously optimized the liquidity risk management information system, so as to promote the implementation of refined management. The Group organized bank-wide liquidity risk emergency exercises, and constantly reviewed and improved the emergency response mechanism.

Management Discussion and Analysis

In 2021, under the background of normalization of COVID-19 pandemic, domestic economic development was faced with triple pressures of demand contraction, supply shock and weakening expectation, and the external environment was becoming more severe and uncertain. The PBOC adhered to a robust monetary policy, strengthened cross-cycle adjustment, flexibly and accurately used a variety of monetary policy tools, kept the liquidity reasonable and abundant, and promoted the steady decline of comprehensive financing costs. The Group strictly complied with the liquidity limit risk management mechanism and maintained satisfactory liquidity. As at the end of 2021, all the key indicators reflecting the liquidity status of the Group met the supervision requirements. The Group appraised the liquidity risk conditions by means of liquidity gap analysis. As at the end of December 2021, the liquidity gap analysis of the Group is as follows:

Undiscounted contractual cash flows categorised by contractual maturities:

(Expressed in RMB million)	31 December 2021							Total
	Overdue/ Undated	On demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Net position of assets and liabilities	<u>53,387.6</u>	<u>(207,640.1)</u>	<u>(32,354.2)</u>	<u>(104,930.1)</u>	<u>(149,269.5)</u>	<u>237,057.3</u>	<u>578,588.3</u>	<u>374,839.3</u>

(Expressed in RMB million)	31 December 2020							Total
	Overdue/ Undated	On demand	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Net position of assets and liabilities	<u>59,086.2</u>	<u>(244,445.4)</u>	<u>(23,885.0)</u>	<u>(77,322.7)</u>	<u>(25,946.3)</u>	<u>206,312.4</u>	<u>421,793.3</u>	<u>315,592.5</u>

The Group measured and disclosed its liquidity ratio, net stable funding ratio and liquidity coverage ratio in accordance with the relevant requirements of Methods for Liquidity Risk Management in Commercial Banks (《商業銀行流動性風險管理辦法》) issued by the CBIRC.

As at the end of December 2021, the liquidity ratio of the Group is as follows:

Liquidity ratio (%)	31 December 2021	31 December 2020	31 December 2019
Renminbi	<u>79.86</u>	57.06	57.12
Foreign Currency	<u>92.89</u>	<u>98.87</u>	<u>29.94</u>

Liquidity ratio is calculated by dividing current assets by current liabilities.

As of the end of December 2021, the net stable funding ratio of the Group is as follows:

(Expressed in RMB million)	31 December 2021	30 September 2021
Available stable funding	851,059.87	857,955.69
Required stable funding	711,847.92	703,877.71
Net stable funding ratio (%)	<u>119.56</u>	<u>121.89</u>

Net stable funding ratio is calculated by dividing available stable funding by the required stable funding. It is used to evaluate whether commercial banks have sufficient and stable funding sources to meet the needs of various assets and off-balance sheet risk exposures.

As of the end of December 2021, the liquidity coverage ratio of the Group is as follows:

(Expressed in RMB million)	31 December 2021
Qualified and high-quality liquid assets	164,579.20
Net cash outflows in future 30 days	58,305.00
Liquidity coverage rate (%)	<u>282.27</u>

The qualified and high-quality liquid assets mean various assets which can be cashed quickly in the financial market through sale or mortgage (pledge) without loss or with minimal loss in the pressure scenarios set by the liquidity coverage ratio. The net cash outflow in future 30 days means the balance between the expected total cash outflow and the expected total cash inflow in the future 30 days in the pressure scenarios set by the liquidity coverage ratio. The expected total cash outflow is the sum of the products of the balance of the relevant liabilities and off-balance-sheet items and its expected churn rate or extraction rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow is the sum of the products of the balance of the relevant on and off-balance-sheet contractual receivables and its expected inflow rate in the pressure scenarios set by the liquidity coverage ratio. The expected total cash inflow which can be included shall not exceed 75% of the expected total cash outflow.

(5) Operational Risk Management

Operational risk refers to the risk of loss due to imperfections in internal procedures and scientific and technological information systems or errors in personnel, or external events. Through the principles of comprehensiveness and prudence, the Bank implements an operational risk management strategy that matches the Bank's asset size and business complexity, based on a comprehensive risk management system and in compliance with the overall risk appetite.

During the Reporting Period, the Bank continued to consolidate and improve its operational risk management system to strictly guard against major operational risk events and strive to achieve comprehensive identification and effective control of operational risks. Firstly, the Bank closely identified and monitored risks. The Bank updated and improved the monitoring system of key risk indicators, regularly collected index data and risk loss data, and consolidated the foundation of risk measurement. Secondly, the Bank comprehensively evaluated measures to improve risk control. The Bank identified and sorted out key risk links in the process of various operation and management activities, updated and optimized risk control measures and improved management capabilities through system evaluation. Thirdly, the Bank carried out a number of risk inspections. Taking the investigation of case risks as the main line, the Bank comprehensively screened potential operational risk points through a combination of on-site and off-site methods, and organized the implementation of special inspections of accounting business, counter business and outsourcing business to supervise and strengthen risk prevention in key areas. Fourthly, the Bank has improved the management effectiveness of business continuity. The Bank organized annual important business exercises, fully tested the availability of emergency response mechanisms and disaster recovery resources, and continuously conducted business continuity self-assessment to improve business continuity management level. Fifthly, the Bank implemented the measures to outsource risk management. The Bank organized all levels of institutions throughout the Bank to formulate special investigation plans to investigate potential risks and control results in all links of the outsourcing business life cycle one by one, in addition, the Bank implemented the special risk assessment of information technology outsourcing, and strictly guard against the risks in key outsourcing areas.

(6) Reputation Risk

Reputation risk refers to the risk of negative evaluation of the Group by the stakeholders, the public and the media due to the Group's operations, management and other actions or external events, thereby damaging the brand value of the Group, adversely affecting the normal operation of the Group, or even affecting market stability and social stability.

During the Reporting Period, the Group established and improved the reputation risk management mechanism, and further strengthened the classified management of reputation risks, customer emergency and complaint handling, emergency handling of sudden public opinion, information release process management, and standardized management of publicity work, etc. At the same time, the Group continued to properly monitor and deal with the public opinion, actively and effectively prevented reputation risks and responded to negative public opinion events, and actively maintained the Bank's good market image to achieve the overall goal of reputation risk management.

(7) Information Technology Risks

Information technology risks refer to operational, legal, and reputational risks arising from the use of information technology due to natural factors, human factors, technical loopholes, and management defects.

During the reporting period, the Bank continued to improve the information technology risk management system and enhance the efficiency of information technology risk management, without any major information technology risk events. Firstly, strengthen the construction of key infrastructure. The Bank completed the relocation of disaster recovery center in the same city and continued to carry out the reconstruction project of disaster recovery centers in other cities, aiming at enhancing the bearing and guarantee capacity of disaster recovery centers and supporting the long-term and steady development of financial technology. Secondly, promote the implementation of application development safety standards. The Bank upgraded the intelligent operation and maintenance and early warning platform, and synchronously improved the security and intelligence in the process of system construction. Thirdly, improve the risk monitoring and identification capabilities. The Bank optimized and expanded the information technology risk monitoring indicator system to make the information technology risk monitoring level adapt to the development level of the Bank's financial technology. Fourthly, implement a number of information technology risk assessments. On the basis of the overall assessment of information technology risks, the Bank focused on conducting customer data risk assessments and risk assessments for the commissioning of several important information systems, which significantly improved the Bank's capabilities of information technology risk prevention and control.

(8) Anti-Money Laundering Risks

Following the principle of “risk-based”, the Bank adhered to the problem orientation, optimized the anti-money laundering work mechanism, strengthened communication and linkage, and exerted the joint efforts of “three defense lines” to continuously improve the compliance and validity of anti-money laundering work.

During the Reporting Period, the Bank newly formulated the Administrative Measures for Information Security Protection of Anti-money Laundering, revised the Administrative Measures for Self-assessment of Money Laundering and Terrorist Financing Risks and other systems, continuously improved the internal control system of anti-money laundering, and standardized the anti-money laundering management process; the Bank Completed the upgrade of version 6.0 of the anti-money laundering system, optimized monitoring rules and models, and improved the monitoring effect of suspicious transactions; the Bank implemented institutional risk assessments, promoted the application of assessment results, and enhanced the risk management ability; the Bank carried out special investigation and cooperated with supervision and inspection, established and improved the supervision mechanism, and strengthened the rectification of anti-money laundering issues; the Bank held joint anti-money laundering meetings, strengthened the coordination of anti-money laundering work, and promoted the implementation of objectives and tasks; the Bank organized special publicity, properly conducted training, created a good anti-money laundering atmosphere, strictly implemented various regulatory requirements, and earnestly fulfill the legal obligations against money laundering.

(9) Internal Audit

The Group has established a sound internal audit system according to laws and regulations. The internal audit team works under the leadership of the Party Committee and the Board, and is responsible and reports to the Party Committee and the Board. The Articles of Association clearly stipulated that the Board was responsible for establishing and maintaining an effective internal audit system to ensure that internal audit had sufficient independence. The internal audit departments were equipped with designated audit personnel, which was in compliance with the regulatory requirements.

The Bank adhered to the goal of serving organizations and further improved the level of audit supervision. The Bank took initiative and dedicatedly fulfilled its duties to systematically sort out internal and external requirements, highlighted audit priorities and properly carried out audit projects in combination with the Bank’s actual situations, adhered to problem-oriented, risk-oriented and goal-oriented, and promote the implementation of national policies, regulatory requirements and the Head Office’s strategies.

During the Reporting Period, the internal audit carried out the “three linkages” and properly promoted the transformation of audit results. The Bank implemented the linkage rectification among institutions, among projects and process and results, and integrated cross-inspection, problem rectification, quality control and line assessments into a unified management framework, so as to form an endless management cycle, give full play to the three functions of internal audit, such as “self-examination and self-correction”, “have forethought” and “value orientation”, and promote the long-term sustainable development of the Bank.

(10) Related Party Transactions

During the Reporting Period, in accordance with the banks’ requirements for listing of A shares, the Bank continued to improve its management of related party transactions: Firstly, the Bank strengthened the management of the list of related parties. It conveyed communicated with shareholders, directors, supervisors and senior management and other persons about the importance and principles of related party transaction management, regularly collected information from related parties, conducted dynamic management and timely update of the list, strengthened identification of related parties, thereby laying a solid foundation for related party transaction management. Secondly, the Bank strictly reviewed related-party transactions. The Bank reviewed and approved all related party transactions in accordance with external management requirements and the Bank’s management system, actively promoted the coordinated reporting of credit to related party group, carried out classification review and hierarchical approval of related-party transactions, controlled compliance risks of related party transactions, and improved the Bank’s related party transaction management efficiency. Thirdly, the Bank strengthened the concentration management and control of related party transactions. It regularly monitored indicators of concentration for substantial shareholders and related parties of the Bank to prevent concentration risk. During the Reporting Period, all relevant indicators met the regulatory requirements.

1. Related party transactions during the ordinary course of business

During the Reporting Period, the Bank conducted related party transactions by following the relevant regulations of the CBIRC, the Shanghai Stock Exchange, the Stock Exchange, and the Administrative Measures for the Related Party Transactions (《關聯交易管理辦法》) of the Bank, the related party transactions were priced fairly and in line with the overall interests of the Bank and shareholders.

Management Discussion and Analysis

(1) Pursuant to the relevant provisions of the CBIRC, during the Reporting Period, there were 8 significant related party transactions.

1 As at the end of the Reporting Period, the balance of credit-related significant related party transactions of the Bank approved during the Reporting Period was RMB14.848 billion, as follows:

Unit: RMB0'000

No.	Name of related party	Transaction type	Credit balance	Percentage of net capital
1	CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)	Credit	533,000.00	4.45%
2	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司) and its group members	Credit	499,888.59	4.18%
3	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and its group members	Credit	390,081.30	3.26%
4	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) and its group members	Credit	61,834.97	0.52%
5	Bank of Chongqing Co., Ltd.	Credit	0.05	0%

2 The transaction amount of the non-credit significant related party transactions of the Bank approved during the Reporting Period was RMB0.8926 million, as follows:

Unit: RMB0'000

No.	Name of related party	Transaction type	Transaction amount	Business type
1	Chongqing Kangju Xicheng Chengtoushang Street Asset Management Co., Ltd. (重慶康居西城城投商街資產管理有限公司)	Non-credit	57.17	Property lease
2	Chongqing Yufu Capital Operation Group Co., Ltd. (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Co., Ltd. (重慶發展置業管理有限公司), Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	Non-credit	32.09	Property lease
3	CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司) ¹	Non-credit	0	Charge service fee

¹ In 2021, the matter regarding charging syndicated borrowings fees from CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司) was considered and approved, but there was actually no business incurred.

- (2) During the Reporting Period, the balance of the Bank's loans to related natural persons under the relevant regulations of the Shanghai Stock Exchange was RMB61 million. Related transactions that occurred between the Bank and related parties under the relevant regulations of the Shanghai Stock Exchange considered by the Board and general meetings are as follows:

On 30 July 2021 and 16 September 2021, the 58th meeting of the fourth session of the Board and the 2021 first extraordinary general meeting of the Bank considered and approved ①the "Resolution in Relation to the Related Party Transaction Regarding to Group Credit Limits of Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司)" agreeing to grant Chongqing Yufu Holding Group Co., Ltd. and group members a comprehensive group credit limit of RMB9,205.45 million, with a credit period of 1 year; ② the "Resolution in relation to the Related Party Transaction Regarding to Group Credit Limits of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)", agreeing to grant Chongqing City Construction Investment (Group) Company Limited and group members a comprehensive group credit limit of RMB10,847.04 million, with a credit period of 1 year; ③the "Resolution in Relation to the Related Party Transaction Regarding to Group Credit Limits of Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)" agreeing to grant Chongqing Development Investment Co., Ltd. and group members a comprehensive group credit limit of RMB10,855.60 million, with a credit period of 1 year; ④ the "Resolution in Relation to the Related Party Transaction regarding the lease of properties from the related parties by Chongqing Rural Commercial Bank Co., Ltd. (重慶農村商業銀行股份有限公司) for the year of 2021" agreeing to lease properties from Chongqing Yufu Capital Operation Group Co., Ltd. (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Co., Ltd. (重慶發展置業管理有限公司) and Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) with total amount not exceeding RMB4.944 million. For details, please refer to the "Announcement on Related Party Transactions of Chongqing Rural Commercial Bank Co., Ltd." (Announcement No.: 2021-030) published by the Bank on the website of the Shanghai Stock Exchange on 31 July 2021.

2. *Related party transactions in connection with purchase or sale of assets or equity interests*

During the Reporting Period, the Bank was not involved in related party transaction in connection with purchase or sale of assets or equity interest.

Management Discussion and Analysis

3. *Related party transactions in connection with joint external investment*

During the Reporting Period, the Bank was not involved in related party transaction in connection with joint external investment.

4. *Claims, Debt Transactions with Related Parties*

During the Reporting Period, the Bank was not involved in claims or debt transactions of a non-operating nature.

5. *Business transactions with related finance companies*

During the Reporting Period, there was no finance company controlled by the Bank. The Bank was not involved in deposits, loans, credit or other financial business with related finance companies.

6. *Other significant related party transactions*

During the Reporting Period, apart from the transactions mentioned above, the Bank did not have any other significant related party transactions that met the requirements of the securities regulatory authorities.

VI. Capital Management

The Group implemented comprehensive capital management, including the formulation of capital management policies, capital planning, capital adequacy ratio management plans, capital measurement, internal capital adequacy assessment, capital allocation and capital assessment management. The goal of the Group's capital management is to mainly accumulate internal capital, with external capital as supplement, to effectively balance capital supply and demand, to strengthen capital restrictions and guidance to the business, so as to maintain a capital level that is consistently higher than regulatory requirements, and to reserve a certain room for margin and buffer as security.

In 2021, the Group continued to promote the refinement of capital management, implemented the capital planning for 2021-2023, rationally arrange risk-weighted asset plans, optimize business structure, improve capital utilization efficiency, maintain continuous growth of capital, further consolidate capital strength of the Bank, and constantly enhance the service capability for real economy. The capital indicators throughout the year were good, providing a strong guarantee for the Group's stable business development and strategic implementation.

(1) Capital Adequacy Ratio

The Group calculates the core tier 1 capital adequacy ratios, tier 1 capital adequacy ratios, and capital adequacy ratios in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》) promulgated by the CBIRC and relevant provisions, among which, the credit risk was measured at weight method, the market risk was measured at standard method and the operational risk was measured at basic indicator approach. The calculation range of capital adequacy ratio includes all branches of the Bank, its subsidiary village and township banks, financial leasing companies and wealth management subsidiaries.

By the end of 2021, the Group's capital adequacy ratio was 14.77%, representing an increase of 0.49 percentage point from the end of the previous year; the core tier 1 capital adequacy ratio and the tier 1 capital adequacy ratio were 12.47% and 12.98%, respectively, representing an increase of 0.51 percentage point and 1.01 percentage points respectively from the end of the previous year. The increase in the Group's capital adequacy ratio from the end of the previous year was mainly due to that firstly the net profit for the year and the internal capital supplement increased year-on-year; secondly, exogenous capital replenishment was promoted as planned. In the third quarter, the Group successfully issued RMB4 billion of capital bonds with no fixed term, and the raised funds were used to supplement other tier 1 capital according to the approval of applicable laws and regulatory authorities, and at the same time, this made a smooth transition of the impact of maturity redemption of tier 2 capital bonds in the fourth quarter. Thirdly, the "light capital" transformation continued to exert its strength. Benefiting from the continuous adjustments of business structure, the overall asset allocation was concentrated in low-weight assets, the growth rate of risk-weighted assets was much lower than that of total assets, and the capital consumption declined.

Management Discussion and Analysis

The following table sets forth the relevant capital adequacy ratio of the Group and the Bank at the dates indicated.

Calculation results of capital adequacy ratio of the Group and the Bank

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020	
	The Group	The Bank	The Group	The Bank
Core tier 1 capital, net	101,073.5	92,637.8	93,726.7	86,352.5
Net tier 1 capital	105,172.6	96,636.1	93,814.2	86,352.5
Net capital	119,665.7	110,410.3	111,936.2	103,850.9
Risk-weighted assets	810,234.5	764,783.2	783,924.2	745,153.3
Include: Credit risk weighted assets	752,599.5	710,707.3	724,715.5	688,370.2
Market risk weighted assets	4,098.9	3,722.2	8,699.4	8,699.4
Operational risk weighted assets	53,536.1	50,353.7	50,509.3	48,083.7
Core tier 1 capital adequacy ratio (%)	12.47	12.11	11.96	11.59
Tier 1 capital adequacy ratio (%)	12.98	12.64	11.97	11.59
Capital adequacy ratio (%)	14.77	14.44	14.28	13.94

Capital Adequacy Ratio

(Expressed in RMB million, unless otherwise stated)	31 December 2021	31 December 2020
Core tier 1 capital	101,710.8	94,324.7
Portion of paid-in capital that may be included	11,357.0	11,357.0
Portion of capital reserve that may be included	20,479.1	20,238.1
Surplus reserve and general risk reserve	28,812.1	26,125.9
Retained earnings	40,306.2	35,947.7
Non-controlling interests	756.4	656.0
Core tier 1 capital deductible items	(637.3)	(598.0)
Goodwill, net of relevant deferred tax liabilities	(440.1)	(440.1)
Other intangible assets (excluding land use rights), net of relevant deferred tax liabilities	(207.6)	(157.9)
Total of others that should be deducted from core tier 1 capital	10.4	–
Core tier 1 capital, net	101,073.5	93,726.7
Other tier 1 capital	4,099.1	87.5
Undated capital bonds	3,998.3	–
Non-controlling interests	100.8	87.5
Net tier 1 capital	105,172.6	93,814.2
Tier 2 capital	14,493.1	18,122.0
Tier 2 capital instruments and related premium that may be included	5,000.0	9,000.0
Excessive loan loss allowances	9,291.4	8,947.1
Non-controlling interests	201.7	174.9
Net capital	119,665.7	111,936.2
Total risk-weighted assets	810,234.5	783,924.2
Core tier 1 capital adequacy ratio (%)	12.47	11.96
Tier 1 capital adequacy ratio (%)	12.98	11.97
Capital adequacy ratio (%)	14.77	14.28

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The following table shows the credit risk exposures of the Group as measured by weighting method on the dates indicated.

(Expressed in RMB million, unless otherwise stated)	31 December 2021		31 December 2020	
	Risk exposure	Unmitigated risk exposure	Risk exposure	Unmitigated risk exposure
On-balance sheet credit risk	1,256,478.3	1,226,975.3	1,118,872.7	1,096,997.8
Off-balance sheet credit risk	18,224.9	14,165.3	24,648.7	15,494.7
Counterparty credit risk	22,152.3	22,152.3	18,827.9	18,827.9
Total	1,296,855.5	1,263,292.9	1,162,349.3	1,131,320.4

According to the Regulatory Requirements on the Information Disclosure Regarding the Capital Composition of the Commercial Banks (《關於商業銀行資本構成信息披露的監管要求》) issued by the CBIRC, the information concerning the capital composition statements, detailed explanation on relevant items and the main characteristics of the capital instrument of the Reporting Period will be further disclosed in the “investor relations – capital supervision” column on the website of the Bank (<http://www.cqrcb.com>).

(I) Leverage Ratio

The Group measured and disclosed its leverage ratio in accordance with Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised) (《商業銀行槓桿率管理辦法(修訂)》).

By the end of 2021, the Group’s leverage ratio was 8.19%, an increase of 0.11 percentage point from the end of the previous year, mainly because the growth rate of net tier 1 capital, was higher than the growth rate of on-balance sheet and off-balance sheet assets.

The following table sets out the Group’s related accounting items corresponding with the regulatory items of leverage ratio and the differences between regulatory items and accounting items as at the date indicated:

(Expressed in RMB million, unless otherwise stated)	31 December 2021
Consolidated total assets	1,266,291.2
Consolidated adjustments	–
Customer assets adjustments	–
Derivatives adjustment	87.1
Securities financing transactions adjustments	601.9
Off-balance sheet item adjustments	18,426.8
Other adjustments	(637.3)
The balance of assets on and off-balance sheet after adjustments	<u>1,284,769.7</u>

The following table sets out information of the Group's leverage ratio, net tier 1 capital, assets on and off-balance sheet after adjustments and relevant details as at the date indicated.

(Expressed in RMB million, unless otherwise stated)	31 December 2021
Assets on the balance sheet (excluding derivatives and securities financing transactions)	1,265,278.7
Less: tier 1 capital deduction	(637.3)
The balance of assets on the balance sheet after adjustments (excluding derivatives and securities financing transactions)	1,264,641.4
Replacement cost of various types of derivatives (net of qualified margins)	32.2
Potential risk exposure in various derivatives	87.1
The sum of collaterals deducted from the balance sheet	–
Less: assets receivables formed due to qualified margins	–
Less: the balance of derivative assets formed due to transactions with central counterparties for providing clearing service for the customers	–
Notional principal for sold credit derivatives	–
Less: the balance of sold credit derivatives assets which can be deducted	–
The balance of derivatives assets	119.3
The balance of accounting assets for securities financing transactions	980.3
Less: the balance of securities financing transactions assets which can be deducted	–
Counterparty credit risk exposure to securities financing transactions	601.9
The balance of securities financing transactions assets formed due to securities financing transactions by proxy	–
The balance of securities financing transactions assets	1,582.2
The balance of items off balance sheet	39,031.7
Less: the balance of items off balance sheet reduced due to credit conversion	(20,604.9)
The balance of items off balance sheet after adjustments	18,426.8
Tier 1 capital, net	105,172.6
The balance of assets on and off-balance sheet after adjustments	1,284,769.7
Leverage ratio (%)	8.19

VII. Outlook

(I) Industry pattern and trend

In 2021, China's GDP growth rate was 8.1%, and the economic growth showed strong resilience and vitality. In 2022, the risks and challenges faced by China's development will obviously increase, but the fundamentals of the long-term economic improvement will not change. On the basis of stabilizing employment, protecting people's livelihood and preventing risks, the quality and efficiency of China's economic development will continue to increase. China's economic and social development is expected to further develop steadily in the process of continuously improving quality and efficiency. As far as Chongqing's regional economy is concerned, the policy dividend of Chengdu-Chongqing region will continue to be released, and the regional economic growth momentum will be strong. In 2021, Chongqing's GDP growth rate was 8.3%, of which fixed assets investment increased by 6.1%, total retail sales of social consumer goods increased by 18.5%, and total import and export value increased by 22.8%. In 2022, the project construction of Chengdu-Chongqing Economic Circle will include 160 major landmark projects, with a total investment of over RMB2 trillion. Chengdu-Chongqing region will become an important growth pole and a strong power source for high-quality development in China. Major projects such as the comprehensive development of China's vast western regions, "the belt and road initiative" and the Yangtze River Economic Belt will continue to advance, and Chongqing's economy will continue to release the optimization effect of regional economic development layout and promote the high-quality development of Chongqing.

From the perspective of the development trend of the banking industry, the orientation of financial supervision policies is gradually clear. It is expected that in 2022, the regulatory and control tools will become more diversified, the implementation path will be more precise, and the financing efficiency of the real economy and the systematic risk prevention and control will be more focused. Objectively, the banking industry is required to accelerate the improvement of operating level and compliance capability and effectively promote structural adjustments to provide effective guarantee for long-term performance growth. In addition, the interest rate marketization reform will squeeze the profits of the traditional business model of banks, thus prompting the banking industry to continuously strengthen reform and innovation and seek new profit growth space.

(II) Development strategy and operating plan of the Company

The Bank will adhere to the strategy of “anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents”, take the big retail business as its core competitiveness, keep pace with corporate and inter-bank business, steadily improve the ability of finance to serve rural revitalization and the real economy, accelerate the application for qualifications and licenses and the innovative application of financial technology, strengthen risk prevention, control and resolution, and promote the high-quality development of the Bank. The main operating plan of the Bank in 2022 is as follows:

Adhere to “customer-centered”, comprehensively enhance the market competitiveness and the value creativity, and accelerate the release of the power of transformation and development. The retail will focus on the principle of “obtaining customers to drain”, “active customers having viscosity” and “excellent customer creating benefits” around the construction of the financial ecosystem, creating value in the transformation from customers to users. The inclusive finance business will be further expanded to and take root at the grass-roots level and focus more on “online process”, “element modularization” and “product specialization”, so as to consolidate and expand the advantages of supporting agriculture and small and micro enterprises. The Company’s financial business will actively dig the comprehensive value of customers, and focus more on “channel management”, “fund accumulation” and “diversified financing”, so as to expand the business extension and service connotation. The Bank will seize business opportunities in the construction of Chengdu-Chongqing Economic Circle, Western Science City and other projects, proactively interconnect green environmental protection projects and promote green finance to speed up and increase efficiency. The financial market business will highlight specialization, and focus more on “investment and research capabilities”, “business varieties” and “transaction contribution”, so as to improve the stable income level of fund utilization.

Adhere to driving development through scientific and technological innovation, strengthen the application awareness and empowerment effect of financial technology, and strive to build a “digital bank”. The Bank will give more prominence to online business research and development, enrich the digital product system and continuously expand new business growth space. The Bank will give more prominence to basic operation support, transform and upgrade traditional service means, and continuously enhance the sense of modernity and technology. The Bank will give more prominence to full-process technology empowerment, comprehensively optimize key links such as management, marketing, assessment and evaluation, and build a streamlined and efficient process bank.

Management Discussion and Analysis

Keep pace with the times, grasp prudent operation requirements, strengthen risk management and control in the whole process, and build a firmer bottom line of risk prevention and control. The Bank will improve the risk identification mechanism in advance and tighten the gateway to prevent problems before they happen. The Bank will standardize and unify credit group management, optimize the risk early warning data model, strengthen risk monitoring in key areas, and improve the forward looking of risk prevention and control. The Bank will strengthen the control and restraint of risks during events, and enhance the validity of internal risk control. The Bank will carry out information technology risk assessments, strengthen asset quality monitoring, intensify the risk control in key areas, resolutely prevent risk derivation, and improve the effect of risk control. The Bank will improve the quality and efficiency of post-event supervision of risks, and optimize the management mechanism to promote compliance operation. The Bank will strengthen post-loan management, summarize the experience of large-amount risk disposal, establish a quick disposal mechanism for defaulted loans, and take various measures to improve the effect of recovery, and seek benefits from non-performing assets.

Corporate Governance Report

I. Corporate Governance Structure

For details of the corporate governance structure of the Bank, please refer to the Appendix “Organization Chart” to this report.

II. Overview of Corporate Governance

During the Reporting Period, the Bank strengthened the system construction and improved the system mechanism in the areas of party leadership, shareholder governance, board governance, board of supervisors and senior management, stakeholder and social responsibility, incentive and restraint mechanism, information disclosure, risk management and internal control. The Board of Directors performed the function of inspection and evaluation of corporate governance, and carefully examined and evaluated the construction of corporate governance, so as to further enhance the scientificity, robustness and effectiveness of the governance system. The Bank continued to improve the transparency of corporate governance to ensure a high level of corporate governance, so as to protect shareholders’ rights and interests and enhance corporate value.

The Bank has strictly complied with the code provisions of the CG Code in Appendix 14 to the Hong Kong Listing Rules and also complied with most of the recommended best practices therein. During the Reporting Period, the legal action which the directors of the Bank may face is basically covered in the internal risk management and control scope of the Bank. The Company estimates that there is little risk that there would be any event for which any director shall take responsibility, therefore, no insurance has been arranged for the Directors as required under code provision C.1.8 (former code provision A.1.8).

The Bank also strictly complied with the requirements under the relevant laws and regulations, and the Hong Kong Listing Rules in respect of management of inside information. There is no significant difference between the corporate governance of the Bank and that as required by the laws including the Company Law of the People’s Republic of China and administrative regulations and the relevant requirements to the corporate governance for listed company of the CSRC and Hong Kong Stock Exchange.

To the best of the directors’ knowledge, there is no reasonable statistic indicating that the Bank is or was in violation of the code provisions as set out in the CG Code during the year ended 31 December 2021.

The Bank will continue to review and enhance its corporate governance to ensure that it will continue to meet the requirements of the CG Code and the rising expectations of shareholders and investors.

III. Details of the General Meeting

The general meetings shall be an organ of power of the Bank and shall exercise relevant powers in accordance with the law. During the Reporting Period, the Bank convened and held the general meetings in strict accordance with relevant laws and regulations and the Articles of Association of the Bank. Details are as follows:

Session of meeting	Convening date	Resolutions of the meeting	Website to publish resolutions
2020 annual general meeting	28 May 2021	11 resolutions and reports including the 2020 work report of the Board of Directors of Chongqing Rural Commercial Bank Co., Ltd.	Official website of the Bank (www.cqrcb.com) and website of Shanghai Stock Exchange (www.sse.com.cn) and the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk)
2021 first extraordinary general meeting	16 September 2021	20 resolutions including the resolution in relation to the election of Mr. Liu Jianzhong as an executive Director of Chongqing Rural Commercial Bank Co., Ltd.	The same as the above

IV. Information on Directors, Supervisors and Senior Management

(I) Basic information on Directors, Supervisors and senior management

1. Information on Directors, Supervisors and senior management

Existing Directors

Name	Position	Gender	Age	Term of office ¹
Liu Jianzhong	Secretary to the Party Committee, Chairman and Executive Director	Male	58	June 2008 –
Xie Wenhui	Deputy Secretary to the Party Committee, Executive Director and President	Male	49	August 2014 –
Zhang Peizong	Member of the Party Committee, Executive Director, Vice President, Secretary to the Board	Male	47	December 2018 –
Zhang Peng	Non-executive Director	Male	46	August 2019 –
Yin Xianglin	Non-executive Director	Male	40	December 2020 –
Gu Xiaoxu	Non-executive Director	Female	51	December 2020 –
Song Qinghua	Independent Non-executive Director	Male	56	September 2017 –
Zhang Qiaoyun	Independent Non-executive Director	Male	58	December 2018 –
Lee Ming Hau	Independent Non-executive Director	Male	43	June 2019 –
Li Jiaming	Independent Non-executive Director	Male	56	December 2020 –
Bi Qian	Independent Non-executive Director	Female	53	December 2020 –

¹ The term of office shown in this table was the term approved by the CBIRC Chongqing Office.

Outgoing Directors

Name	Position	Gender	Age	Term of office
Luo Yuxing	Non-executive Director	Male	59	January 2018 – January 2021
Wen Honghai	Non-executive Director	Male	56	June 2008– September 2021

Existing Supervisors

Name	Position	Gender	Age	Term of office
Yang Xiaotao	Member of the Party Committee, Head of Supervisor	Male	58	February 2022 –
Huang Qingqing	Shareholder Representative Supervisor	Female	37	October 2020 –
Zhang Jinruo	External Supervisor	Male	41	October 2020 –
Hu Yuancong	External Supervisor	Male	47	October 2020 –
Zhang Yingyi	External Supervisor	Male	48	October 2020 –
Zheng Yi	Employee Representative Supervisor	Male	56	November 2011 –
Le Xiaoming	Employee Representative Supervisor	Male	45	June 2019 –
Zhou Wei	Employee Representative Supervisor	Female	44	November 2021 –

Outgoing Supervisors

Name	Position	Gender	Age	Term of office
Zuo Ruilan	Shareholder Representative Supervisor	Female	46	June 2008 – June 2021
Zhu Yuzhou	Employee Representative Supervisor	Male	56	November 2011 – November 2021

Existing Senior Management

Name	Position	Gender	Age	Term of office ¹
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	Male	49	December 2013 –
Wang Min	Member of the Party Committee, Vice President	Male	58	July 2015 –
Dong Lu	Member of the Party Committee, Vice President	Female	46	May 2011 –
Shu Jing	Member of the Party Committee, Vice President	Female	49	October 2015 –
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director and Secretary to the Board	Male	47	September 2016 –
Gao Song	Member of the Party Committee, Vice President	Male	42	September 2016 –

¹ The term of office shown in this table was the time appointed or nominated by superior departments.

2. *Changes in Directors, Supervisors and Senior Management*

(1) Engagement and resignation

Mr. Luo Yuxing resigned from non-executive director of the Bank and the positions of relevant special committees under the Board since January 2021 due to personal reason.

An extraordinary general meeting was held in September 2021 for re-elections and appointment of directors, and Mr. Wen Honghai ceased to serve as the non-executive director of the fifth session of the Board and positions of relevant special committees of the Board of the Bank since the closure of the extraordinary general meeting.

Ms. Zuo Ruilan ceased to serve as shareholder representative supervisor of the Bank and the positions of relevant special committees under the Board of Supervisors since June 2021 due to personal reason.

Mr. Zhu Yuzhou resigned as the employee representative supervisor of the Bank and the positions of relevant special committees of the Board of Supervisors since November 2021 due to job adjustment.

Ms. Zhou Wei has served as the employee representative supervisor and positions of relevant special committees of the Board of Supervisors since November 2021.

Mr. Yang Xiaotao has served as a member of the Party Committee, Head of Supervisor and positions of relevant special committees of the Board of Supervisors of the Bank since February 2022.

(2) Information update

Mr. Zhang Peng was nominated to be removed positions as a member of the investment decision committee and a member of the fund management committee of Chongqing Huaben Electronic Information Venture Capital Center (limited partnership) (重慶華奔電子信息創業投資中心(有限合夥)) in January 2021.

Ms. Gu Xiaoxu resigned as the non-executive director of Topper Link Limited, Fosun Golden Corona Finance Company Limited and Fosun Great China Finance Company Limited in July 2021.

Mr. Song Qinghua ceased to serve as the chairman of the board of supervisors of Zhongnan Jing Ying (Wuhan) Enterprise Management Consulting Co., Ltd. (中南菁英(武漢)企業管理諮詢有限公司) since May 2021 and has concurrently served as the external supervisor of China Zheshang Bank Co., Ltd. since July 2021.

Mr. Zhang Qiaoyun resigned as the independent director of Yibin Rural Commercial Bank Co., Ltd. (宜賓農村商業銀行股份有限公司) since February 2021 and resigned as the independent director of Chengdu Neighborhood Life Co., Ltd.(成都鄰里生活股份有限公司) since July 2021.

Mr. Li Jiaming has served as the independent director of Guangxi Liugong Machinery Company Ltd. (廣西柳工機械股份有限公司) since May 2021.

Mr. Zhang Peizong ceased to serve as the secretary to the Party Committee and chairman of the Board of Directors of CQRC Financial Leasing Co., Ltd. since July 2021 and ceased to serve as the director of CQRC Financial Leasing Co., Ltd. since November 2021.

Mr. Zhang Yingyi ceased to serve as an external supervisor of Chongqing Light Industry & Textile Holding (Group) Company Limited (重慶輕紡控股(集團)公司) since December 2021.

3. Particulars of Changes in Shareholdings of Directors, Supervisors and Senior Management

Shareholdings of Existing Directors, Supervisors and Senior Management

Unit: share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/ (Decrease) in the number of shares during the Reporting Period	Reasons for Increase/ (Decrease)
Directors					
Liu Jianzhong	Secretary to the Party Committee, Chairman and Executive Director	23,500	34,500	11,000	Share price stabilization measures for 2021
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	23,500	34,500	11,000	Share price stabilization measures for 2021
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	18,300	28,300	10,000	Share price stabilization measures for 2021
Zhang Peng	Non-executive Director	1,000	3,800	2,800	Share price stabilization measures for 2021
Supervisor					
Yang Xiaotao	Member of the Party Committee, Head of Supervisors	25,700	25,700	-	-
Senior Management					
Wang Min	Member of the Party Committee, Vice President	20,000	30,000	10,000	Share price stabilization measures for 2021
Dong Lu	Member of the Party Committee, Vice President	18,000	28,000	10,000	Share price stabilization measures for 2021
Shu Jing	Member of the Party Committee, Vice President	18,300	28,300	10,000	Share price stabilization measures for 2021
Gao Song	Member of the Party Committee, Vice President	17,700	27,700	10,000	Share price stabilization measures for 2021

Shareholdings of Outgoing Directors, Supervisors and Senior Management

Unit: share

Name	Position	Number of shares held at the beginning of the period	Number of shares held at the end of the period	Increase/ (Decrease) in the number of shares during the Reporting Period	Reasons for Increase/ (Decrease)
Directors					
Wen Honghai	Non-executive Director	13,000	16,000	3,000	Share price stabilization measures for 2021
Luo Yuxing	Non-executive Director	15,000	15,000	-	-
Supervisors					
Zuo Ruilan	Shareholder Representative Supervisor	11,900	11,900	-	-
Zhu Yuzhou	Employee Representative Supervisor	37,600	37,600	-	-

(II) Major Work Experience of Existing Directors, Supervisors and Senior management

1. Directors of the Bank

LIU Jianzhong Secretary to the Party Committee, Chairman of the Board of Directors, Executive Director

Primary positions: he has been the secretary to the party committee, chairman of the Board of Directors and executive director of the Bank since June 2008.

Professional background: he is a senior economist and obtained a doctorate degree in economics of finance from Southwestern University of Finance and Economics in 2015.

Work experience: he served as secretary to the Party committee, director-general, deputy secretary to the Party committee, director, member of the Party Committee and deputy director of Chongqing Rural Credit Cooperative Union, division director and deputy division director (at division-director level) of the Cooperative Financial Institution Regulatory Division of Chongqing business management department of the PBOC and a director and deputy director of the logistics services center and deputy division director of the Administration Office of the Chongqing Branch, the PBOC.

XIE Wenhui Deputy Secretary to the Party Committee, President, Executive Director

Primary positions: he has been the deputy secretary to the party committee and the president of the Bank since December 2013 and an executive director of the Bank since August 2014.

Professional background: he is a senior economist and engineer and obtained a master's degree in engineering from Chongqing University in 1997.

Work experience: he served as a member of the Party committee and vice president of the Bank, the general manager and the deputy general manager (in charge of work) of the Technology Department of the Bank, and the deputy general manager and assistant to general manager at the Technology Department in Chongqing Rural Credit Cooperative Union.

ZHANG Peizong Member of the Party Committee, Vice President, Executive Director, Secretary to the Board

Primary positions: he has served as the member of the Party Committee and vice president of the Bank since September 2016 and an executive director of the Bank since December 2018, as well as the Secretary to the Board since September 2020.

Professional background: he is a senior economist and obtained a master's degree in engineering from Chongqing University in 2008.

Work experience: he served as the secretary to the Party Committee and the chairman, deputy secretary to the party committee and the president of CQRC Financial Leasing Co., Ltd.; he assumed various positions in the Bank, including secretary to the party committee and the person in charge of Beibei Branch, secretary to the party committee, the person in charge, general manager of Development Research Department and general manager of Development Planning Department of Tongliang Branch; he also served as the general manager of department of investigation and statistics, council secretary (general manager level), deputy head of the general office of Chongqing Rural Credit Cooperative Union.

ZHANG Peng Non-executive director

Primary positions: he has served as a non-executive director of the Bank since August 2019. He also served as a director and the vice secretary of the Party Committee and general manager of Chongqing City Construction Investment Group Co., Ltd. (重慶市城市建設投資(集團)有限公司), the Shareholder of the Bank, since July 2016 and August 2019, respectively.

Other positions: he serves as the chairman of the board of directors of Chongqing City Investment Gold Card Information Industry (Group) Co., Ltd. (重慶市城投金卡信息產業(集團)股份有限公司).

Professional background: he is a senior accountant and obtained a bachelor's degree of economics from the Southwestern University of Finance and Economics in 1998 and on-the-job postgraduate in applied mathematics through the program for research on system engineering and financial management of Southwest China Normal University (西南師範大學) in 2002.

Work experience: he concurrently served as the secretary of Party Branch of Chongqing City Investment Gold Card Information Industry (Group) Co., Ltd. (重慶市城投金卡信息產業(集團)股份有限公司), a director of Chongqing Gangjiu Co., Ltd. (重慶港九股份有限公司), chairman of the board of supervisors of Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司). He also served as deputy general manager, deputy chief accountant, head of the finance department, the manager of the planning and finance department and the deputy manager of the finance department of Chongqing City Construction Investment Group Co., Ltd.

YIN Xianglin Non-executive Director

Primary positions: he has served as a non-executive director of the Bank since December 2020. He has been the general manager and the vice secretary of the party committee of Chongqing Development and Real Estate Management Co., Ltd. (重慶發展置業管理有限公司), the Shareholder of the Bank, since April 2016 and August 2020, respectively.

Other positions: he served as the chairman and the general manager of Chongqing Cairong Housing Leasing Co., Ltd. (重慶財融住房租賃有限公司).

Professional background: he is an engineer and obtained a master's degree in agricultural extension (land utilization) from Sichuan Agricultural University in 2009.

Work experience: he served as the general manager and the deputy general manager of Chongqing Transport and Travel Investment Group Company Limited (重慶交通旅遊投資集團有限公司), the deputy director of the Land Reserve and Renovation Division 2 of Chongqing Land Group and the chief of the Engineering Construction Division of the Administrative Committee of Chongqing Central Business (Southern) Development Zone.

GU Xiaoxu Non-executive Director

Primary positions: she served as the non-executive director of the Bank since December 2020. She has also served as the vice president of Shanghai Fosun High Technology (Group) Co., Ltd., the Shareholder of the Bank, and the chairman of Fosun Financial Services Group since July 2018.

Other positions: she serves as the chairman of Zhangxingbao (Shanghai) Network Technology Co. Ltd., non-executive director of Zhejiang E-commerce Bank Co., Ltd., non-executive director of Banco Comercial Português, the vice president of Shanghai Association of Women Entrepreneurs, and the executive vice president of the Women Entrepreneurs Association of the Zhejiang Chamber of Commerce in Shanghai.

Professional background: she is a middle-level economist and obtained a master's degree in business administration from the East China Normal University in 2000.

Work experience: she served as the senior assistant to president, the managing director of the financial group, deputy general manager of the financial service group banking business, the assistant to the general manager of the finance division of Shanghai Fosun High Technology (Group) Co., Ltd. (上海復星高科技集團有限公司). She also served as the chairman of Fosun Financial Services Group, the managing director and general manager of marketing services division of Shanghai Tonglian Financial Services Co., Ltd. (上海通聯金融服務有限公司).

SONG Qinghua Independent Non-Executive Director

Primary positions: he has served as an independent non-executive director of the Bank since September 2017. He has been a professor and a tutor of doctorate candidate of School of Finance of Zhongnan University of Economics and Law since November 2000 and September 2003, respectively.

Other positions: he serves as the external supervisor of China Zheshang Bank Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601916) and the supervisor of Guangzhou Ruimao Management Consulting Co., Ltd. (廣州睿茂管理諮詢有限公司).

Professional background: he obtained a doctor's degree in economics from Zhongnan University of Economics and Law in 2000 and quit the Postdoctoral Research Station in applied economics from Renmin University of China in 2003. He was awarded the title of an expert entitled to special government subsidies granted by the State Council in 2016.

Work experience: he was a senior research scholar of University of Cincinnati in the United States, a visiting scholar of University of Rhode Island in the United States and a visiting scholar of Saint Mary's University in Canada. He served as the president of School of Finance of Zhongnan University of Economics and Law. He also served as an independent director of Hubei Financial Leasing Co., Ltd. (湖北金融租賃股份有限公司), Wuhan Keqian Biological Co., Ltd. (武漢科前生物股份有限公司), Hubei Huanggang Rural Commercial Bank (湖北黃岡農村商業銀行), Zhejiang Ningbo Yuyao Rural Cooperative Bank (浙江寧波餘姚農村合作銀行), Huangshi Commercial Bank (黃石市商業銀行) (later renamed Huangshi Bank (黃石銀行)) and Wuhan Urban Commercial Bank (武漢市商業銀行) and an external supervisor of Hankou Bank Co., Ltd. (漢口銀行股份有限公司).

ZHANG Qiaoyun Independent Non-Executive Director

Primary positions: he has served as an independent non-executive director of the Bank since December 2018 and a professor and doctoral advisor in School of Finance of Southwestern University of Finance and Economics since January 2017.

Other positions: he serves as committee member of the advisory committee of Sichuan Province, the counselor of Chengdu Municipal People's Government. He also serves as an external supervisor of Leshan Commercial Bank Co., Ltd. (樂山市商業銀行股份有限公司) and an independent director of Sichuan Agricultural Credit Guarantee Company Limited (四川省農業信貸擔保有限公司), Chengdu Wisdom World Technology Co., Ltd. and HAUXI Securities Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002926) and Liangshan Rural Commercial Bank Co., Ltd. (涼山農村商業銀行股份有限公司). He is the legal representative of Yangtze River Financial Research Institute of Southwestern University of Finance and Economics in Yibin.

Professional background: he obtained a doctor's degree in economics from Southwestern University of Finance and Economics in 2002.

Work experience: he was a visiting scholar of Duquesne University, University of California, San Diego in the United States and served as the executive dean of the School of Finance of Southwestern University of Finance and Economics, deputy director and director of the Graduate School of Southwestern University of Finance and Economics. He concurrently served as a member of the first and second session of the National Financial Professional Degree Steering Committee, and independent director of Luzhou Laojiao Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000568), Chengdu Xingrong Investment Co., Ltd. (currently known as Chengdu Xingrong Environmental Co., Ltd. and a company listed on the Shenzhen Stock Exchange, stock code: 000598), Guangxi Beibu Gulf Bank and Yibin Tianyuan Group Co., Ltd.

LEE Ming Hau Independent Non-Executive Director

Primary positions: he has served as an independent non-executive director of the Bank since June 2019 and a managing director of The Carlyle Group since July 2020.

Professional background: he obtained a master's degree in business administration from the Wharton School of the University of Pennsylvania in 2009.

Work experience: he served as an investment director of Clearwater Capital Partners and a project manager of The Boston Consulting Group.

LI Jiaming Independent Non-executive Director

Primary positions: he has served as an independent non-executive director of the Bank since December 2020 and professor and doctoral tutor of School of Economics and Business Administration, Chongqing University since September 2014.

Other positions: he serves as the chairman of Chongqing University Asset Management Co., Ltd. (重慶大學資產經營有限責任公司) and is a member of Chongqing Senior Accountant and Senior Auditor Qualification Evaluation Committee (重慶市高級會計師、高級審計師資格評審委員會), vice chairman of Chongqing Internal Audit Association (重慶市內部審計協會), executive director of Chongqing Audit Society (重慶市審計學會), executive director of China Education Audit Society (中國教育審計學會). He also serves as an independent director of Chongqing Jianshe Vehicle System Co., Ltd. (重慶建設汽車系統股份有限公司) (a company listed on the Shenzhen Stock Exchange, stock code: 200054) and Guangxi Liugong Machinery Company Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 000528).

Professional background: he obtained a doctoral degree in management from Chongqing University in 2006.

Work experience: he served as the deputy director of the Disciplinary Supervision and Review Office and the deputy chief of the Audit Division of Chongqing University, the chief and the deputy chief of the Audit Division of Chongqing University, the executive deputy dean and the chief of the Audit Division and the executive deputy dean (at division-director level) of City College of Science and Technology, Chongqing University, the general manager of Chongqing University Science and Technology Enterprise Group (重慶大學科技企業集團) and the general manager of Chongqing University Asset Management Co., Ltd. (重慶大學資產經營有限責任公司), the chief of the Audit Division of Chongqing University and the deputy chief (presiding over the work) of the Audit Division of Chongqing University as well as the deputy director of the Disciplinary Supervision and Review Office and the deputy chief of the Audit Division of Chongqing University.

BI Qian Independent Non-executive Director

Primary positions: she has served as an independent non-executive director of the Bank since December 2020. She has been a professor, and a doctoral tutor, and head of the accounting department of the College of Economics and Management, Southwest University since July 2018 and October 2018, respectively.

Other positions: she serves as an independent director of Senci Mechatronic Co., Ltd. (神馳機電股份有限公司) (a company listed on the Shanghai Stock Exchange, stock code: 603109).

Professional background: she obtained a doctoral degree in management from Southwest University in 2010.

Work experience: she served as an associate professor of the College of Economics and Management of Southwest University and was awarded a scholarship by the China Scholarship Council to visit and study in Oregon State University in the United States. She successively served as a lecturer at the College of Basic Science and Technology, a lecturer and associate professor at the College of Economics and Management, Southwest Agricultural University.

2. *Supervisors of the Bank*

YANG Xiaotao Member of the Party Committee and Head of Supervisor

Primary positions: he served as a member of the Party Committee and head of Supervisor of the Bank since February 2022.

Professional background: he is a senior economist and obtained a degree of Executive Master of Business Administration from Xiamen University in 2013.

Work experience: he served as a member of the Party Committee and the chairman of the board of supervisors of Bank of Chongqing Co., Ltd., a member of the Party Committee and vice president of the Bank, the deputy general manager (temporary position) of the corporate business department of the head office of Agricultural Bank of China Limited, a member of the party committee and the deputy director of Chongqing Rural Credit Cooperative Union.

HUANG Qingqing Shareholder Representative Supervisor

Primary positions: she has served as the shareholder representative supervisor of the Bank since October 2020 and the investment director of Xiamen Gaoxinhong Equity Investment Co., Ltd., a shareholder of the Bank, since September 2014.

Other positions: she serves as a supervisor of Zhongshan Securities Co., Ltd. (中山證券有限責任公司).

Professional background: she is a middle-level economist and obtained a master's degree in Finance from Xiamen University in 2010.

Work experience: she served as the investment manager and a senior analyst of Xiamen Gaoxinhong Equity Investment Co., Ltd.

ZHANG Jinruo External Supervisor

Primary positions: he has served as an external supervisor of the Bank since October 2020. He has also served as the professor and head of accounting department of the School of Economics and Business Administration, Chongqing University since September 2014 and November 2018, respectively.

Other positions: he serves as the part-time professor of Center for Accounting Studies of Xiamen University, the consulting experts on accounting of Chongqing Finance Bureau and the independent director of Chongqing Iron & Steel Company Limited.

Professional background: he is listed in the Excellent Talent – Outstanding Individual (accounting) (重慶市英才-名家名師(會計類)) and is an Academic Pioneer of Accounting of the Ministry of Finance and a Chinese certified public accountant. He obtained a doctoral degree in accounting from Xiamen University in 2008 and was a student of Professor Ge Jiashu, an accounting expert.

Work experience: he served as the doctoral tutor and associate professor of School of Economics and Business Administration, Chongqing University.

HU Yuancong External Supervisor

Primary positions: he has served as the external supervisor of the Bank since October 2020. He has been a master tutor of Southwest University of Political Science and Law since July 2009, and a professor at the Economic Law School, doctoral tutor and postdoctoral co-tutor since September 2013, July 2015 and July 2018, respectively.

Other positions: nil

Professional background: he obtained a doctoral degree in economic law from Southwest University of Political Science and Law in 2009.

Work experience: he served as a lecturer and associate professor at the Economic Law School of Southwest University of Political Science and Law.

ZHANG Yingyi External Supervisor

Primary positions: he has served as an external supervisor of the Bank since October 2020. He has also served as the deputy director of Chongqing Zhongding Certified Public Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司) since March 2012.

Other positions: he is a member of the Disciplinary Committee of the Chongqing Institute of Certified Public Accountants and an off-campus tutor for the master of accounting in Chongqing University of Technology.

Professional background: he is an Certified Public Accountant, lawyer and asset appraiser and obtained a bachelor' degree from Southwestern University of Finance and Economics in 1995.

Work experience: he served as the manager of the audit department of Chongqing Zhongding Certified Public Accountants Co., Ltd. (重慶中鼎會計師事務所有限責任公司), a certified public accountant and manager of the audit department of Chongqing Yuzhong Certified Public Accountants (重慶渝中會計師事務所) and the chief accountant of Chongqing Automobile Standard Parts Factory (重慶汽車標準件廠).

ZHENG Yi Employee Representative Supervisor

Primary positions: he has been an employee representative supervisor of the Bank since November 2011 and the chief credit officer of the Bank since October 2021.

Professional background: he is an economist and graduated from the Correspondence College of Chongqing Municipal Party Committee in December 1999.

Work experience: he served as the chief credit approval officer, a general manager of the credit approval department, a general manager of the credit management department and a general manager of the compliance management department of the Bank. He also served as a general manager, a vice general manager of the operation management department, a vice general manager of the risk management department and a deputy director of the credit management division of Chongqing Rural Credit Cooperative Union.

LE Xiaoming Employee Representative Supervisor

Primary positions: he has been an employee representative supervisor of the Bank since June 2019 and the Deputy Chief of the Discipline Inspection and Supervision Team of Municipal Commission for Discipline Inspection and Supervision stationed in the Bank since May 2020.

Professional background: he obtained a master's degree in agricultural extension from Southwest University in 2012.

Work experience: he served as the director of the party committee office, the director of the party-masses work department and the director of the security department of the Bank. He also served as the division chief of the Personnel Secretariat, deputy division chief of the Personnel Secretariat and deputy division chief of the General Division of the Research Office of Chongqing Municipal People's Government.

ZHOU Wei Employee Representative Supervisor

Primary positions: she has served as an employee representative supervisor of the Bank since November 2021 and the director of office of the Board of Supervisors since October 2021.

Professional background: she obtained a bachelor's degree of arts from Sichuan International Studies University in 1999 and a bachelor's degree in economics from Southwestern University of Finance and Economics in 2008.

Work experience: she served as a deputy director of office of the Board of Supervisors (being responsible for overall work), a member of the Party Committee and a vice president of Beibei Branch, a vice general manager of the risk management department and a vice general manager of the credit management department of the Bank.

3. *Senior Management of the Bank*

XIE Wenhui Deputy Secretary to the Party Committee, President, Executive Director

Please refer to the section headed "Directors, Supervisors and Senior Management -1. Directors of the Bank" of this report for biographic details of Mr. Xie Wenhui.

WANG Min Member of the Party Committee, Vice President

Primary positions: he has served as member of the Party Committee and vice president of the Bank since July 2015.

Professional background: he is a senior economist and librarian and obtained an MBA degree from Sichuan University in 2013.

Work experience: he served as a member of the Party Committee and the vice president of Bank of Chongqing Co., Ltd. He was a director of the second Customer Department, director of Audit Supervision Department, director of Discipline Inspection Office and director of Audit Department of Chongqing Branch of the National Development Bank, and the deputy director of the Second Audit Divisions of the Audit Appraisal Bureau and the deputy director of the Second Credit Approval Divisions of the Audit Bureau at headquarters of the National Development Bank.

DONG Lu Member of the Party Committee, Vice President

Primary positions: she has been the member of the Party Committee and vice president of the Bank since May 2011.

Professional background: she is an economist and obtained a master's degree in engineering from Chongqing University in 2011.

Work experience: she was the general manager of the Treasury Operation Department of the Bank and the general manager and deputy general manager of the Business Department and deputy head of the financial planning division of Chongqing Rural Credit Cooperative Union.

SHU Jing Member of the Party Committee, Vice President

Primary positions: she has served as member of the Party Committee and vice president of the Bank since October 2015.

Professional background: she is a senior economist and graduated from Economics and Management Major of the CPC Chongqing Municipal Party School in 1997.

Work experience: she served as general manager of the Credit Approval Department, general manager of the Corporate Business Department and deputy general manager and general manager of the Business Department of the Bank. She held various positions in High Technology Development Zone Sub-branch of Chongqing Branch of China Everbright Bank, including vice president (in charge of work), deputy president and assistant president.

ZHANG Peizong Member of the Party Committee, Vice President, Executive Director, Secretary to the Board

Please refer to the section headed “Directors, Supervisors and Senior Management -1. Directors of the Bank” of this report for biographic details of Mr. Zhang Peizong.

GAO Song Member of the Party Committee, Vice President

Primary positions: he has served as a member of the Party Committee and vice president of the Bank since September 2016.

Professional background: he is a senior economist and an administration engineer, and obtained a master’s degree in law from Southwest University of Political Science and Law in 2005.

Work experience: he served as the deputy director of the Bureau of Policies, Laws and Regulations of SASAC (temporary position). He served as the general manager of the Human Resources Department, secretary to the Party committee and president of Changshou Sub-branch, general manager of the Channel Management Department and deputy general manager of the Asset Preservation Department of the Bank. He also served as deputy president of Xinpaifang Sub-branch in Chongqing Branch of Bank of Communications.

(III) Remuneration of Directors, Supervisors and Senior Management in 2021

1. Remuneration

Existing

Unit: RMB0'000

Name	Position	Paid Remuneration (before tax)	Pension Scheme Contribution Amount	Other Monetary Income	Part-time Fee	Total Salary Before Tax in 2021	Whether to get paid from Associated Company
Liu Jianzhong	Secretary to the Party Committee, Chairman, Executive Director	39.36	12.68	—	—	52.04	No
Xie Wenhui	Vice Secretary to the Party Committee, President, Executive Director	39.36	12.68	—	—	52.04	No
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	31.49	12.68	3.84	—	48.01	No
Zhang Peng	Non-executive Director	—	—	—	9.00	9.00	Yes
Yin Xianglin	Non-executive Director	—	—	—	9.00	9.00	Yes
Gu Xiaoxu	Non-executive Director	—	—	—	0.00	0.00	Yes
Song Qinghua	Independent Non-executive Director	—	—	—	18.00	18.00	Yes
Zhang Qiaoyun	Independent Non-executive Director	—	—	—	18.00	18.00	Yes
Lee Ming Hau	Independent Non-executive Director	—	—	—	18.00	18.00	Yes
Li Jiaming	Independent Non-executive Director	—	—	—	18.00	18.00	Yes
Bi Qian	Independent Non-executive Director	—	—	—	18.00	18.00	Yes
Huang Qingqing	Shareholder Representative Supervisor	—	—	—	7.50	7.50	Yes
Zhang Jinruo	External Supervisor	—	—	—	12.00	12.00	Yes
Hu Yuancong	External Supervisor	—	—	—	12.00	12.00	No
Zhang Yingyi	External Supervisor	—	—	—	12.00	12.00	Yes
Zheng Yi	Employee Representative Supervisor	—	—	—	—	—	No
Le Xiaoming	Employee Representative Supervisor	—	—	—	—	—	No
Zhou Wei	Employee Representative Supervisor	—	—	—	—	—	No
Wang Min	Member of the Party Committee, Vice President	31.49	12.68	3.84	—	48.01	No
Dong Lu	Member of the Party Committee, Vice President	31.49	12.68	3.84	—	48.01	No
Shu Jing	Member of the Party Committee, Vice President	31.49	12.68	3.84	—	48.01	No
Gao Song	Member of the Party Committee, Vice President	31.49	12.68	3.84	—	48.01	No

Resignation

Unit: RMB0'000

Name	Position	Paid Remuneration (before tax)	Pension Scheme Contribution Amount	Other Monetary Income	Part-time Fee	Total Salary Before Tax in 2021	Whether to get paid from Associated Company
Luo Yuxing	Non-executive Director	-	-	-	0.00	0.00	Yes
Wen Honghai	Non-executive Director	-	-	-	6.75	6.75	Yes
Zuo Ruilan	Shareholder Representative Supervisor	-	-	-	3.75	3.75	Yes
Zhu Yuzhou	Employee Representative Supervisor	-	-	-	-	-	No

Notes:

- (1) According to relevant regulations, from 1 January 2015, the remuneration of the Chairman, President and other responsible persons of the Bank will be implemented in accordance with the opinions on the supervision of the remuneration system reform of the responsible persons of relevant enterprises.
- (2) Some directors and senior management of the Bank are still in the process of confirming their final assessment of remuneration in 2021. The Bank will issue a separate announcement.
- (3) Paid remuneration refers to paid remuneration to directors, supervisors, and senior management in the current year approved by the regulatory body in accordance with internal and external regulatory requirements, including the basic annual salary and advance performance salary for 2021 that was issued in accordance with external regulatory requirements.
- (4) The Bank also provides remuneration for directors, supervisors and senior management who are employees of the Bank, including wages, bonuses, social insurance, corporate annual bonus, supplementary medical insurance and the department contribution of housing provident fund, and other monetary income.
- (5) Gu Xiaoxu, the director, issued the written commitment, stating that she is voluntary to waive her allowance or remuneration as a director during her term of office as a director of the Bank.
- (6) The employee representative supervisors of the Bank do not receive remuneration as employee representative supervisors.
- (7) Other monetary income is the business transportation subsidy issued in the form of currency for senior management in accordance with the regulations of relevant authorities.

2. *Salary decision-making procedure and basis*

The Bank provides remuneration to non-executive directors, independent directors, shareholder representative supervisors and external supervisors according to the Proposal on Directors' Remuneration of Chongqing Rural Commercial Bank Co., Ltd. and the Proposal on Supervisors' Remuneration of Chongqing Rural Commercial Bank Co., Ltd., which were considered and adopted at the 2017 annual general meeting of shareholders, provides remuneration to executive directors and other senior management personnel according to the Management Measures for the Remuneration of the Heads of Chongqing Rural Commercial Bank, and provides remuneration to employee supervisors according to the Management Measures for Remuneration of Chongqing Rural Commercial Bank.

The Board of Directors of the Bank assesses the senior management personnel according to the Measures for Performance Evaluation of Financial Enterprises, the Interim Management Measures for Salaries of Responsible Persons of Municipal State-owned Key Enterprises, and the Management Measures for Salaries of Responsible Persons of Chongqing Rural Commercial Bank. The Board of Supervisors conducts daily supervision on the performance of duties by directors, supervisors and senior management according to the Evaluation Method for the Performance of Duties by Directors, Senior Management and Members of Chongqing Rural Commercial Bank Co., Ltd., and the Evaluation Method for the Performance of Duties by Supervisors of Chongqing Rural Commercial Bank Co., Ltd. At the same time, the Board of Supervisors evaluates the annual performance of duties by directors, supervisors and senior management by attending the meetings of the Board of Supervisors, attending the meetings of the Board of Directors as non-voting members, consulting the annual duty performance evaluation summary, and reviewing the information in the annual personal debriefing reports (including but not limited to attending meetings, participating in investigation and research, training and learning, expressing opinions and suggestions, working hours of performing duties in the company, etc.), and reports to the general meeting of shareholders and the regulatory authorities.

V. Board of Directors and Special Committees

(1) Responsibility and operation of the Board

The Board shall be responsible for the general meeting of shareholders, bear the ultimate responsibility for operation and management, and exercise its functions and powers within the scope of laws, regulations, regulatory requirements, the Articles of Association of the Bank and the powers granted by the general meeting of shareholders to safeguard the legitimate rights and interests of the Bank and its shareholders. The major responsibilities are as follows: convening the general meeting of shareholders and make a report on work to the meeting; implementing the resolutions adopted by the shareholders' general meeting; determining our business plans and development strategies and overseeing its implementation; formulating the Bank's profit distribution, financial budget and final accounts; determining such matters as the Bank's significant external investment, significant merger & acquisitions, significant acquisition of assets, significant assets disposal, significant assets cancellation after verification and significant external guarantee within the authorization limits of the general meeting of shareholders; formulating the proposal program for amending the Bank's Articles of Association, the Rules and Procedures of the General Meetings and the Rules and Procedures of the Meetings of the Board; and hearing the work report of the President.

Pursuant to the CG Code and the Articles of Association of the Bank, the Board Meetings are divided into regular meetings and interim meetings. The regular meetings of the Board shall be held for at least one time each quarter, and shall be convened by the chairman. A meeting notice should be delivered in writing to all directors and supervisors fourteen days before the meeting. At Board meetings, directors can put forward their opinions freely, and major decisions are made after detailed discussions. If any director has material interests in a proposal to be reviewed by the Board of Directors, the director concerned must abstain from discussion and voting on the relevant proposal, and is not counted in the quorum of the relevant proposal. Detailed minutes of the board meetings are kept, and minutes are circulated to all attending directors for review after the meeting. Directors that have attended the meetings will provide comments for modification after receiving the minutes. According to relevant requirement, the minutes will be circulated to all directors in time as it is finalised. Minutes of the board meetings are kept according to the requirements of documents management stipulated by the Bank, and are available for inspection by directors at any time

All directors maintain communication with the secretary to the Board of Directors so as to ensure the compliance with board procedures and all applicable rules and regulations. Communication and reporting mechanism has been established between the Board of Directors, directors and senior management. The president of the Bank reports his work to the Board of Directors on a regular basis, and under its supervision. Relevant senior management are invited to attend board meetings from time to time to give explanations or reply to enquiries.

The Board of Directors has set up a Board office as its acting agency, which is responsible for preparation of the general meetings, board meetings, and meetings of the special committees under the Board of Directors, information disclosure and other daily work.

(2) The Board of Directors' Implementation of Resolutions of the General Meeting

In 2021, the Board of Directors strictly implemented the resolutions passed at the 2020 annual general meeting and 2021 first extraordinary general meeting, earnestly implemented the resolutions regarding the 2020 profit distribution plan, the 2021 financial budget, the appointment of accounting firm for 2021, the related party transaction regarding group credit limits of Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司), election of Mr. Liu Jianzhong, Mr. Xie Wenhui and Mr. Zhang Peizong as the executive directors of the Bank, election of Mr. Zhang Peng, Mr. Yin Xianglin and Ms. Gu Xiaoxu as the non-executive directors of the Bank and election of Mr. Song Qinghua, Mr. Zhang Qiaoyun, Mr. Lee Ming Hau, Mr. Li Jiaming and Ms. Bi Qian as the independent non-executive directors of the Bank.

(3) Composition of the Board of Directors

As of the date of this report, the Board of Directors of the Bank comprised 11 directors, including 3 executive directors, namely, Mr. Liu Jianzhong (chairman of the Board), Mr. Xie Wenhui (president) and Mr. Zhang Peizong (vice president and secretary to the Board); 3 non-executive directors, namely, Mr. Zhang Peng, Mr. Yin Xianglin and Ms. Gu Xiaoxu; 5 independent non-executive directors, namely, Mr. Song Qinghua, Mr. Zhang Qiaoyun, Mr. Lee Ming Hau, Mr. Li Jiaming and Ms. Bi Qian.

The list of directors (by category) is disclosed in all corporate communications issued by the Bank pursuant to the Hong Kong Listing Rules. Directors shall be elected or replaced at the shareholders' general meeting and may be dismissed by the shareholders' general meeting prior to the expiration of their term of office. The term of office of a director shall be three years. Upon the expiry of the term, a director shall be eligible for re-election and re-appointment. The office term of a re-elected and re-appointed director is effective upon approval by the general meeting while the term of office of a new director is effective upon approval by the banking regulatory agency until expiration of the term of the current session of the Board of Directors.

The Board of Directors is responsible for the performance of the functions of corporate governance. As of 31 December 2021, the Board of Directors performed the functions of corporate governance as set out in code provision A.2.1 (former code provision D.3.1) in the CG Code.

(4) Board Meetings

During the Reporting Period, the 50th meeting (25 January), the 51st meeting (26 February), the 52nd meeting (1 March), the 53rd meeting (30 March), the 54th meeting (12 April), the 55th meeting (29 April), the 56th meeting (16 June), the 57th meeting (12 July), the 58th meeting (30 July), the 59th meeting (16 August), the 60th meeting (25 August), the 61st meeting (7 September) of the fourth session of the Board of Directors of the Bank and the first meeting (17 September), the second meeting (28 October), the third meeting (24 November), the fourth meeting (1 December) and the fifth meeting (23 December) of the fifth session of the Board of Directors of the Bank were convened. The Bank convened a total of 17 Board meetings including 8 on-site meetings and 9 meetings by communication means. 132 resolutions and reports were considered and reviewed at such meetings including those regarding 2020 annual report, 2021 interim report, 2020 corporate social responsibility report and 2020 work report of the Board of Directors. Special committees under the Board of Directors convened 49 meetings and 106 resolutions and report were considered and reviewed at such meetings.

Corporate Governance Report

During the Reporting Period, the attendance of the directors of the Bank at the general meetings, Board meetings and meetings of the special committees under the Board of Directors (directors who are involved in connected transactions and required to be abstained from the meetings of the special committees under the Board of Directors are also deemed as present) are set out as follows:

Attendances in person/meetings required to attend during the term of office

Directors	General meeting	Board meeting	Special Committees of the Board of Directors							
			Strategic Development Committee	Risk Management Committee	Audit Committee	Nomination Committee	Remuneration Committee	Related Party Transaction Supervision Committee	Sannong Financial Services Committee	Consumer Rights Protection Committee
Executive Directors										
Liu Jianzhong	2/2	16/17	6/6			2/2			2/2	
Xie Wenhui	2/2	17/17	6/6	12/12		2/2	4/4	10/10	2/2	4/4
Zhang Peizong	1/2	13/17		12/12				10/10	2/2	
Non-executive Directors										
Zhang Peng	0/2	15/17	6/6							4/4
Yin Xianglin	1/2	15/17		9/9				1/1		
Gu Xiaoxu	1/2	17/17		8/8			3/3			
Independent Non-executive Directors										
Song Qinghua	0/2	17/17			9/9		4/4	10/10		4/4
Zhang Qiaoyun	1/2	17/17	6/6	3/3	9/9	2/2				4/4
Lee Ming Hau	0/2	17/17			9/9	2/2	4/4			
Li Jiaming	1/2	17/17			9/9	2/2	4/4		2/2	
Bi Qian	1/2	17/17	6/6	12/12	9/9			10/10	2/2	
Resigned Directors										
Luo Yuxing	0	0								
Wen Honghai	0/1	12/12						9/9		4/4

Notes:

- (1) "Attendances in person" refers to attending meetings in person or on telephone or by video conference.
- (2) Directors who did not attend the meetings of the Board of Directors and its special committees in person appointed other directors to attend the meetings and exercise the voting right on their behalf.
- (3) For details of the change of directors, please refer to the section headed "Directors, Supervisors and Senior Management".

(5) Independent Non-executive Directors

During the Reporting Period, the Bank has 5 independent non-executive directors, and the qualifications are in compliance with domestic and overseas regulatory requirements. The independent non-executive directors of the Bank do not have any business or financial interests in the Bank and its subsidiaries, nor do they hold any management positions in the Bank, so as to ensure their independence. The Bank has received from each of the independent non-executive directors an annual confirmation of his/her independence. The Bank considers that all of the independent non-executive directors are independent.

All of the existing independent non-executive directors of the Bank are elected for a term of three years. They are eligible for re-election as the Bank's independent non-executive directors upon expiry of the three-year term of office, provided that their terms of office shall not exceed six consecutive years. For details of the duty performance of independent non-executive directors of the Bank during the Reporting Period, please refer to the 2021 Work Report of the Independent Non-executive Directors of Chongqing Rural Commercial Bank Co., Ltd. published on the website of Shanghai Stock Exchange and the HKEXnews website of the Hong Kong Stock Exchange.

(6) Directors' Responsibility for the Preparation of Financial Reports

The directors acknowledge their responsibility for preparing the financial statements of the Bank for the year ended 31 December 2021. Directors are responsible for monitoring financial reports of each accounting or fiscal period to make sure such financial reports give a true and fair view of the Bank's financial conditions, operation results and cash flows. The directors adopted and implemented the applicable accounting policies and exercised prudent and reasonable judgment when preparing financial reports for the year ended 31 December 2021.

(7) Continuous Professional Development Programme for Directors

Each newly appointed director should be given official, comprehensive and tailor-made information for his/her respective appointment upon his/her first appointment for the assurance of his/her appropriate understanding on the business and operation of the Bank and sufficient knowledge of the duties and responsibilities under the Hong Kong Listing Rules, laws and relevant regulatory requirements.

The training for directors shall be carried out on an on-going basis. The Bank encourages directors to participate in continuous professional development for developing and updating their knowledge and skills. During the Reporting Period, the Bank continued to improve directors' capabilities to perform their duties, and organized all directors to participate in diversified training through "offline + online" methods: firstly, directors participated in online training organized by the China Banking Association on the interpretation of relevant policies of the Corporate Governance Standards for Banking or Insurance Institutions and the Measures for Evaluating the Performance of Duties by Directors and Supervisors of Banking and Insurance Institutions (for Trial Implementation), as well as related training on directors' powers, responsibilities for violations and regulations on inside information; secondly, in order to practice the development strategy of green finance and firmly establish the concept of green development, directors participated in several rounds of special training on green finance organized by the Bank; and thirdly, in order to pay attention to the development of the Bank's green finance, directors participated in the video research forum on the implementation of green finance.

The Bank also from time to time provided information to the directors on the latest development of the Hong Kong Listing Rules and the other applicable regulatory requirements, so as to ensure the directors are equipped with comprehensive information and are in line with the actual needs for their continuous contribution to the Board of Directors and satisfactorily comply with the CG Code, as well as to enhance their sense of the corporate governance practices.

(8) Special Committees of the Board

There are eight special committees established under the Board of Directors of the Bank, namely the strategic development committee, risk management committee, audit committee, nomination committee, remuneration committee, related party transaction supervision committee, Sannong financial services committee and consumer rights protection committee. As at the disclosure date of this report, compositions of the special committees of the Board of Directors are set out as follows:

Directors	Strategic Development Committee	Risk Management Committee	Audit Committee	Nomination Committee	Remuneration Committee	Related Party Transaction Supervision Committee	Sannong Financial Services Committee	Consumer Rights Protection Committee
Executive Directors								
Liu Jianzhong	chairman			member			chairman	
Xie Wenhui	member	chairman		member	member	member	member	chairman
Zhang Peizong		member				member	member	
Non-executive Directors								
Zhang Peng	member							member
Yin Xianglin						member		member
Gu Xiaoxu		member			member			
Independent Non-executive Directors								
Song Qinghua			member		chairman	member		member
Zhang Qiaoyun	member	member	member	chairman				member
Lee Ming Hau			member	member	member			
Li Jiaming			chairman	member	member		member	
Bi Qian	member	member	member			chairman	member	

Notes:

- (1) Ms. Gu Xiaoxu served as a member of the Risk Management Committee and the Remuneration Committee of the Bank since 29 April 2021.
- (2) Mr. Wen Honghai ceased to serve as a member of the Related Party Transaction Supervision Committee and the Consumer Rights Protection Committee of the Bank, with effect from 17 September 2021.
- (3) Mr. Yin Xianglin served as a member of the Related Party Transaction Supervision Committee and the Consumer Rights Protection Committee and ceased to serve as a member of the Risk Management Committee of the Bank, with effect from 17 September 2021.
- (4) Mr. Zhang Qiaoyun served as a member of the Risk Management Committee, with effect from 17 September 2021.

During the Reporting Period, the special committees of the Board of Directors agreed with various resolutions and gave advice and recommendations to our related work without objection in accordance with the regulatory regulations and the Articles of Association. The duty performance of the special committees are set out as follows:

1. *Strategic Development Committee*

The primary responsibilities of the strategic development committee include: formulating the strategies and development plans and annual operation plans of the Bank; reviewing the annual financial budgets; making a study on the significant reorganizations and agency arrangement of the Bank as well as the structure plan for its controlled subsidiaries and make recommendations; reviewing significant investment, financing, acquisition and merger plans of the Bank; formulating the green finance development strategy, green finance goal of the Bank, and monitoring and evaluating the implementation of the green finance development strategy.

During the Reporting Period, the strategic development committee held six meetings on 15 January, 18 February, 12 March, 22 March, 6 August and 8 October, respectively, and considered and reviewed nine proposals and reports of the Bank, including the planning of institutional outlets in 2021, the plan of supporting and integrating into the construction of Chengdu-Chongqing Economic Circle, the medium-term capital plan for 2021-2023, the issuance of financial bonds, the financial budget for 2021, and the establishment of the professional committee of small and micro enterprises and inclusive finance.

2. *Risk Management Committee*

The primary responsibilities of the risk management committee include: reviewing the risk management policy, risk preference and overall structure of risk management of the Bank based on the overall strategy of the Bank; guiding the construction of risk management and compliance management system; monitoring and evaluating the legal construction, risk management, risk resistance and anti-money laundering of the Bank; evaluating risks and compliance of the Bank on a regular basis; putting forward the overall requirements for risk prevention and making assessment on the effectiveness of risky cases management of the Bank; assessing and supervising the development of new products and major change to existing products; and supervising and evaluating the annual financial innovation plan and the performance.

During the Reporting Period, the risk management committee held 12 meetings on 19 January, 18 February, 12 March, 15 April, 10 May, 2 June, 27 July, 13 August, 3 September, 8 November, 25 November and 8 December, respectively and considered and reviewed 25 proposals and reports of the Bank, including the innovative product plan for 2021, the implementation report of innovative products for 2020, the compliance management evaluation report for 2020, the internal capital adequacy evaluation report for 2020, the anti-money laundering work report for 2020, the risk management evaluation report for 2020, the report on write-off of doubtful debts for 2020, and the implementation plan for legal construction.

3. *Audit Committee*

Members of the audit committee are independent non-executive directors and meet the requirements of Rule 3.21 of the Hong Kong Listing Rules. The primary responsibilities of the audit committee include: supervising the internal control of the Bank, and examining and evaluating the compliance of significant operating activities of the Bank; reviewing the major financial policies of the Bank and their implementation and supervising the financial operation; supervising and evaluating the internal audit work of the Bank; proposing to appoint or change the external auditor; reviewing the annual audit report, interim report on financial review and other financial and accounting reports of the Bank and other disclosable financial information prepared by the external auditor; reviewing important regulations and reports such as the internal audit charter, medium and long-term audit plans and annual audit plans; coordinating between the internal audit department and the external auditor; ensuring that attention will be drawn to the improprieties of the employees of the Bank that may occur in financial reporting, internal control or other areas, and procuring the Bank to carry out fair and independent investigation and take appropriate actions in respect of such matters; reviewing the financial information of the Bank and its disclosure; and supervising and evaluating the internal control of the Bank.

During the Reporting Period, the audit committee held 9 meetings on 15 January, 22 February, 10 March, 23 March, 8 April, 23 April, 19 August, 22 October and 24 November, respectively, and considered and reviewed 14 proposals and reports, including the internal audit work report for 2020, the internal audit work plan for 2021, the financial final accounts plan for 2020, the engagement of accounting firm for 2021, the annual report for 2020 and its summary and results announcement, the first quarter report proposal for 2021, the semi-annual report for 2021 and its summary and results announcement, and the third quarter report for 2021. According to the provisions of the CG Code, the Bank held two meetings between the audit committee and auditors during the Reporting Period.

The audit committee of the Board of Directors of the Bank considered unaudited financial statements of the Company for 2021 in the course of preparing its 2021 annual report. In the course of audit and after the issue of a preliminary audit opinion by the auditors in charge of annual audit, the audit committee listened to the report on the operation of the Bank for 2021, exchanged opinions on the significant matters and audit progress with the auditors in charge of annual audit and reviewed the financial statements of the Bank. Before the convening of the annual meeting of the Board of Directors, the audit committee reviewed the Bank's 2021 annual report and agreed to submit the same to the Board of Directors for consideration and approval.

4. *Nomination Committee*

The primary responsibilities of the nomination committee include: assessing the structure, and composition of the Board of Directors; formulating the standard and procedures for the selection of directors and senior management members of the Bank; selecting and reviewing suitable candidates with relevant qualifications for directors and senior management members; formulating, reviewing and discussing the diversity policy of the Board of Directors and supervising the implementation of the diversity policy of the Board of Directors; and assessing the independence of independent directors.

During the Reporting Period, the nomination committee held 2 meetings on 13 July and 13 September, respectively, and considered and reviewed four proposals, including the candidates for the fifth session of board of directors, appointment of the president, the secretary of the Board of Directors and vice presidents of the Bank.

The Bank adopted the diversity policy of the Board of Directors. With a view to achieving the development strategy of operating with characteristics, management refinement and cultivating a good corporate culture, the Bank regarded the Diversity Policy on the Composition of the Board of Directors as a key factor to support strategic objectives and maintain sustainable development. In determining the composition of members, the Board of Directors considers the diversity of members from various aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The Board of Directors consists of executive directors, non-executive directors and independent non-executive directors, proportion of which shall satisfy domestic laws and regulations, administrative rules and the requirements of the Hong Kong Listing Rules. The nomination committee will evaluate the structure, size and composition of the Board of Directors from time to time to ensure the achievement of the objectives of diversity and the implementation of diversity policy. As of the date of this report, the Board of Directors of the Bank has 3 executive directors, 3 non-executive directors (including 1 female non-executive director) and 5 independent non-executive directors (including 1 female independent non-executive director), and the independent non-executive directors account for more than one third of the total members of the Board of Directors.

Working procedures of the nomination committee: the nomination committee shall, in accordance with relevant laws, regulations, administrative rules, and provisions of the Articles of Association, and in consideration of the Bank's actual conditions, review the procedures and criteria for electing the Bank's directors and senior management members, and their terms of office; and shall submit to the Board of Directors the resolution thereof; and implement such resolution if it is passed by the Board of Directors.

Procedures for electing directors and senior management members: the nomination committee shall, in consideration of the Bank's actual conditions, present the Bank's requirements for new directors and senior management members; the nomination committee shall collect the information about the candidates' occupations, education backgrounds, professional titles, work experiences and their part-time jobs, etc.; the nomination committee shall seek the nominated persons' agreement of the nomination, or they may not be selected as candidates for directors or senior management members; the nomination committee shall call a meeting of the nomination committee to review the qualifications of the preliminary elected candidates for the positions of directors and senior management members according to their credentials, and make recommendation to the Board of Directors; the nomination committee shall carry out other subsequent work according to the Board of Directors' decision and feedback.

5. *Remuneration Committee*

The primary responsibilities of the remuneration committee include: reviewing and considering the Bank's fundamental system and policy of remuneration management; studying and reviewing the remuneration policies and remuneration package for the directors and senior management; reviewing the appraisal of performance of duties of directors and senior management and making recommendation on remuneration allocation of directors and senior management.

During the Reporting Period, the remuneration committee held 4 meetings on 12 March, 8 July, 31 August and 30 November respectively, and considered and reviewed 7 proposals and reports, including the report of the Board of Directors on the evaluation of directors, senior executives and mutual evaluation of independent directors in 2020, the completion of business objectives in 2020, and the tenure targets of the head of the Head Office in 2021-2023.

Working procedures of the remuneration committee: the office of the Board of Directors shall be responsible for the preparation for the remuneration committee's decision-making, providing the key financial indicators and progress in reaching the business objectives of the Bank, the information about achievement of performance targets of directors and senior management and their business innovation ability and operation performance based on such ability and the basis of calculation in the formulation of the remuneration allocation plans and method in accordance with the performance of the Bank, studying, discussing and reviewing the information submitted by the office of the Board one by one, submitting to the Board of Directors for consideration the recommendation on the remuneration for the directors and senior management, and the rewarding method in accordance with the result of appraisal of performance of duties and the remuneration allocation policy, after it is passed by voting.

6. *Related Party Transaction Supervision Committee*

The primary responsibilities of the related party transaction supervision committee include: formulating the fundamental system of related transaction management; identifying the related parties of the Bank, reviewing the significant related party transactions of the Bank and reporting to the Board of Directors and the Board of Supervisors; and receiving filings of general related party transactions.

During the Reporting Period, the related party transaction supervision committee held 10 meetings on 20 January, 3 February, 22 February, 15 March, 19 April, 2 July, 20 July, 11 August, 1 September and 9 December, respectively, and considered and reviewed 39 proposals and reports, including the list of related parties of the Bank, the funds occupied by the controlling shareholders and other related parties in 2020, the related party transaction report in 2020, the related party transactions of Chongqing Rural Commercial Finance Leasing Co., Ltd. (渝農商金融租賃有限責任公司), the related party transactions of the group credit line of Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司), the related party transactions of the group credit line of Chongqing City Construction Investment (Group) Co., Ltd. (重慶市城市建設投資(集團)有限公司), the related party transactions of the group credit line of Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司), the related transactions of leasing property to related parties, and the filing report of general related party transactions.

7. *Sannong Financial Services Committee*

The primary responsibilities of the Sannong financial services committee include: examining and approving the Bank's Sannong financial services development strategy planning and annual Sannong financial services development goal; examining and approving the Bank's Sannong financial services resource allocation plan; and supervising and evaluating the implementation situation of Sannong financial services by the Bank's operation and management layer.

During the Reporting Period, the Sannong financial services committee held 2 meetings on 12 March and 6 August respectively, and reviewed 2 reports, including the Bank's 2020 Work Report on Sannong Financial Services, and the report on rural revitalization in the first half of 2021.

8. *Consumer Rights Protection Committee*

The primary responsibilities of the consumer rights protection committee include: reviewing the administrative measures for the consumer rights protection of the Bank; reviewing and evaluating the Bank's plan on consumer rights protection; reviewing the report on the consumer rights protection, the audit of consumer rights protection and the rectification report on consumer rights protection problem.

During the Reporting Period, the consumer rights protection committee held 4 meetings on 18 January, 2 February, 12 March and 9 July respectively, and considered and reviewed 6 proposals and reports, including the assessment results of consumer rights protection in 2020, the report on consumer rights protection in 2020, the special audit report on consumer rights protection in 2020, the opinions on financial consumer rights protection in 2021, the report on consumer rights protection in the first half of 2021, and the report on the issue rectification of consumer rights protection evaluation in 2020.

VI. Board of Supervisors and Special Committees

The Board of Supervisors as the internal supervisory body in the Bank, shall be responsible to the shareholders' general meeting, and exercise the following powers: supervising and checking the Bank's financial matters; supervising the Bank's directors, president and other senior managers when they perform their duties in the Bank; reviewing the periodic reports prepared by the Board of Directors and submitting written audit opinions; conducting an outgoing audit for directors and senior managers; supervising the Board of Directors in establishing sound operating philosophy, value criterion and setting development strategies that meet requirement of the practices of the Bank; supervising the Bank's business decision-making, risk management and internal control and urging its rectification; supervising the procedure of the election and appointment of directors; conducting a comprehensive evaluation for duty performance of directors, supervisors and senior management; and supervising the compensation management system and policy of the Bank and whether the compensation program for senior management is scientific and appropriate.

(1) Composition of the Board of Supervisors

As of the disclosure date of this report, the Board of Supervisors comprised 8 supervisors, including 1 shareholder representative supervisor, namely Ms. Huang Qingqing, 3 external supervisors, namely Mr. Zhang Jinruo, Mr. Hu Yuancong and Mr. Zhang Yingyi; 4 employee representative supervisors, namely Mr. Yang Xiaotao, Mr. Zheng Yi, Mr. Le Xiaoming and Ms. Zhou Wei. Ms. Huang Qingqing was nominated by Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司).

Our supervisors are elected for a term of three years and may be subject to re-election upon expiration of their terms of office. Our external supervisors are elected for a term of three years and are eligible for re-election, provided that their terms of office shall not exceed six consecutive years.

(2) Special Committees of the Board of Supervisors

The Board of Supervisors may set up a nomination committee, an audit committee, a due diligence supervision committee, and an internal control and review committee. The Board of Supervisors may establish other special committees or adjust the existing committees based on its work needs. Each special committee under the Board of Supervisors shall be responsible to the Board of Supervisors and assist the Board of Supervisors in performing its duties.

Zhang Jinruo serves as the chairman of the nomination committee and Yang Xiaotao and Le Xiaoming serve as members. The nomination committee is primarily responsible for preparing the selection and appointment procedures and criteria of non-employee supervisors, making a preliminary review for qualification of candidates for non-employee supervisors and proposing suggestions to the Board of Supervisors. Zhang Yingyi serves as the chairman of the audit committee and Huang Qingqing and Zheng Yi serves as members. The audit committee is primarily responsible to formulate inspection and supervision programs for the financial activities of the Bank; to formulate an audit program for the business decision-making, risk management and internal control of the Bank. Yang Xiaotao serves as the chairman of the due diligence supervision committee and Hu Yuancong and Zhou Wei serve as members. The due diligence supervision committee is primarily responsible to supervise due diligence situations of the Board of Directors, the Board of Supervisors and senior managers and their members, conducting a comprehensive evaluation and reporting to the Board of Supervisors. Hu Yuancong serves as the chairman of the internal control and review committee and Zheng Yi and Zhou Wei serve as members. The internal control and review committee is primarily responsible for organizing the audit and assessment of the Bank's business decision-making, risk management and internal control.

(3) Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors held 14 meetings at which 39 proposals mainly including annual conclusion of the Board of Supervisors, report on centralized supervision and inspection, special investigation reports on core business, financial budgets and accounts, profit distribution and report on internal control evaluation were considered and heard. Attendance records of the supervisors at meetings of the Board of Supervisors and special committees under the Board of Supervisors during the Reporting Period are set out as follows:

Attendances in person/meetings required to attend during the term

Supervisors	Special Committees of the Board of Supervisors				
	Board of Supervisors	Due Diligence Supervision Committee	Internal Control and Review Committee	Audit Committee	Nomination Committee
Huang Qingqing	14/14			4/4	
Zhang Jinruo	14/14				1/1
Hu Yuancong	14/14	1/1	2/2		
Zhang Yingyi	14/14			4/4	1/1
Zheng Yi	13/14		2/2	4/4	
Le Xiaoming	13/14	1/1			1/1
Zhou Wei	3/3				
Zuo Ruilan	5/5				
Zhu Yuzhou	10/11	1/1	1/1		

Notes:

- (1) “Attendances in person” refers to attending meetings in person or on telephone or by video conference.
- (2) Supervisors who did not attend the meetings of the Board of Supervisors and its special committees in person appointed other supervisors to attend the meetings and exercise the voting right on their behalf.
- (3) For the change of supervisors, please refer to the section headed “Directors, Supervisors and Senior Management”.

VII. Senior Management

The senior management, as the executive body of the Bank, shall report to the Board of Directors and the Board of Supervisors the Bank’s operating performance, important contracts, financial conditions, risk status and business prospects in a timely, accurate and complete manner as required.

The Bank implements the president responsibility system under the leadership of the Board of Directors. The president is appointed by the Board of Directors and is responsible to the Board of Directors. The president has the right to organize operating and management activities in accordance with laws and regulations, the Articles of Association of the Bank and the authorization of the Board of Directors. His/her main responsibilities include: presiding over the daily administrative, business and financial management of the Bank, and reporting to the Board of Directors; organizing and implementing the resolutions of the Board of Directors, the annual plan and investment plan of the Bank; formulating the internal management and organization establishment plans, basic management systems and specific regulations and rules of the Bank; establishing the accountability system of the president, and assessing the heads of business departments, functional departments and branches; authorizing the members of the senior management and the heads of internal functional departments and branches to engage in operating activities, etc.

VIII. Information on Employees and Institutes

(1) Employees

As of the end of 2021, the Bank had 14,905 regular employees, 11,324 of whom held bachelor's degree or above, representing 76% of all the Bank's regular employees. In addition, the Bank had 423 dispatch workers, 527 internally retired employees and 6,607 retired employees, and the major subsidiaries have 365 regular employees.

Number of regular employees of the Bank	14,905
Position Structure	
Management	2,998
Business Personnel	8,810
Risk Control	1,005
General Management	1,270
Supporting	822
Age Structure	
Below 30	1,857
31-40	7,244
41-50	3,380
Above 51	2,424
Academic Background Structure	
Master's degree and above	880
Bachelor's degree	10,444
College's degree and below	3,581

(2) Employee Remuneration Policy

The Bank adheres to the principle of linking total salaries to enterprise benefits to determine the unified remuneration level of the Bank. The basic remuneration consists of the basic salary and the position salary, in which the basic salary is determined as different grades according to working years, educational background, etc. to match the corresponding standards, and the position salary is linked to the position level. Employee positions are divided into management, professional technology, handling and operation sequences; for non-management sequences, different salary standards are determined according to different position levels. Performance remuneration is a floating remuneration that reflects the Bank's operating benefits and employees' performance. According to the principle of "give priority to benefits with due consideration to fairness", performance remuneration is linked to the annual operating performance. The Bank fully mobilizes the enthusiasm of employees at all levels by establishing and improving a market-oriented and profit-targeted incentive and restraint mechanism, so as to promote the business development and improve the operating efficiency of the Bank.

(3) Training Plan

Focus on publicizing and implementing the spirit of 20th National Congress of the CPC, and carry out the education of party spirit and ideals and beliefs throughout. Adhere to the systems of “inviting in + going out” and “Head Office + lines + branches”, and promote the induction training for managers, business backbones and new employees as a whole. Implement the requirements of education and training under the situation of normalized prevention and control of the COVID-19 pandemic, and strengthen online training. Further optimize M-learning to improve the quality and efficiency of “mobile school” and “fingertip classroom”.

(4) The Distribution of Branches

Operating outlets are the primary distribution channels of the Bank. By the end of 2021, the Bank had 1,760 branches, including the Head Office and the business department, 7 branches, 35 first-class sub-branches, 134 second-class sub-branches, 2 community sub-branches, and 1,580 branch offices. Yunnan Qujing Branch is the first branch of the national rural commercial bank in another place. The network of sub-branches covers all the 38 administrative districts and counties with 1,452 distribution outlets in the county area of Chongqing and 306 outlets in the city’s urban area. The Bank has put the construction of distribution channels into its medium and long-term strategic development plan and stepped up optimising the layout of outlets and restructuring to improve its service coverage, service capabilities and operational efficiency.

In order to expand the scope of customer services and provide customers with more convenient services, by the end of 2021, the Bank established 145 24-hour self-service banking centers with 6,619 self-service equipment (including: 2,270 smart counters, 3,312 deposit and withdrawal machines, 727 self-service cash machines, and 310 self-service inquiry machines), and the proportion of machine to outlet was 3.76:1. The Bank continued to deepen the basic financial services in rural areas, made effort on the support for rural revitalization. 479 convenient rural financial service centers had been established and put into use. The Bank extended its financial service coverage whilst bringing convenience and benefits to the people in rural area. It won widespread recognition from the local government and the general public.

Corporate Governance Report

Name	Address	Number of Outlet	Number of staff	Assets size (RMB100 million)
The headquarter and its business department	No. 36 Jinshamen Road, Jiangbei District, Chongqing City	2	1,576	3,543.13
Yuzhong Branch	No. 142 Xinhua Road, Yuzhong District, Chongqing City	8	145	140.93
Dadukou Branch	1-3, 1-4-1-1, Block 1, 1-4-1-2, 1-4-2-2, Block 1,11 Tianchenhuafu, Chunhui Road Street, Dadukou District, Chongqing City	14	168	137.29
Jiangbei Branch	1-1, No. 10, Yanghe Road East, Jiangbei District, Chongqing City	28	308	261.05
Shapingba Branch	Annex 37, 38, 39, No. 118 Xiaoyanggong Bridge, Shapingba District, Chongqing City	30	291	204.00
Jiulongpo Branch	Annex 1, No. 2 Xijiao Road, Yang Jia Ping, Jiulongpo District, Chongqing City	40	339	248.32
Kexuecheng Branch	No. 28, Xiyong Avenue, High-tech Zone, Chongqing City	17	140	158.54
Nan'an Branch	No. 24 Jiangnan Avenue, Nanping, Nan'an District, Chongqing City	30	348	243.39
Beibei Branch	No. 20 Beixia West Road, Beibei District, Chongqing City	27	267	184.55

Name	Address	Number of Outlet	Number of staff	Assets size (RMB100 million)
Yubei Branch	1-1, Block 1, No. 91 Shuanglong Avenue, Shuanglonghu Street, Yubei District, Chongqing City	37	319	217.61
Liangjiang Branch	No. 21, 23, 25 Jintong Road, New North Zone, Chongqing City	17	247	245.04
Ba'nan Branch	No. 145 Longzhou Avenue, Ba'nan District, Chongqing City	56	394	335.66
Wansheng Branch	No. 36 Wandong North Road, Wansheng District, Chongqing City	13	120	81.40
Fuling Branch	Block 1, Hongfu Building No. 55 Xinghua Middle Road, Fuling District, Chongqing City	77	477	292.59
Changshou Branch	No. 13 Xiangyang Road, Fengcheng Street Office, Changshou District, Chongqing City	48	345	214.05
Jiangjin Branch	No. 319, Jijiang Section, Binjiang Avenue, Jiangjin District, Chongqing City	83	506	415.95
Hechuan Branch	No. 2 Jiuchang Road, Hechuan District, Chongqing City	89	601	498.78
Yongchuan Branch	No. 399, Honghe Middle Road, Yongchuan District, Chongqing City	56	380	264.57
Nanchuan Branch	No. 24 Jinfo Avenue, Nanchuan District, Chongqing City	40	291	153.59
Qijiang Branch	No. 34 Jiulong Avenue, Wenlong Street, Qijiang District, Chongqing City	43	327	181.07
Tongnan Branch	No. 4, Xingtong Avenue, Guilin Street Office, Tongnan District, Chongqing City	40	286	154.51
Tongliang Branch	No. 102 Zhongxing Road, Bachuan Street, Tongliang District, Chongqing City	50	363	203.76

Corporate Governance Report

Name	Address	Number of Outlet	Number of staff	Assets size (RMB100 million)
Dazu Branch	Annex 2 No.390 Wuxing Avenue, Tangxiang Street Office, Dazu District, Chongqing City	39	299	170.58
Rongchang Branch	No. 106 Haitang Avenue, Changzhou Street, Rongchang District, Chongqing City	36	281	163.26
Bishan Branch	No. 4 Bitong Road, Bicheng Street, Bishan District, Chongqing City	40	330	218.19
Wanzhou Branch	No. 91 Taibai Road, Wanzhou District, Chongqing City	96	661	462.59
Liangping Branch	No. 1, Block 26, Minghao Commercial Area, Liangshan Street, Liangping District, Chongqing City	46	366	237.98
Chengkou Branch	No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City	25	158	60.75
Fengdu Branch	No. 187 2nd Shangye Road, Sanhe Street, Fengdu County, Chongqing City	47	327	208.61
Dianjiang Branch	No. 371 Renmin East Road, Guixi Street, Dianjiang County, Chongqing City	47	318	184.71
Zhong County Branch	No. 49 Ba Wang Road, Zhongzhou Town, Zhong County, Chongqing City	60	400	226.87
Kaizhou Branch	(Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kaizhou District, Chongqing City	64	480	409.76
Yunyang Branch	No. 1335 Yunjiang Avenue, Qinglong Road, Yunyang County, Chongqing City	69	457	295.42
Fengjie Branch	No. 32 Gongping Lane, Yufu Street, Fengjie County, Chongqing City	46	343	187.00
Wushan Branch	No. 258 Guangdong Middle Road, Wushan County, Chongqing City	31	247	98.14
Wuxi Branch	Unit 1-1, No.7 Yanghe Garden, No.25, Binhe Zhilu, Boyang Street, Wuxi County, Chongqing City	38	284	127.04
Qianjiang Branch	No. 217 Jiefang Road, Chengdong Street, Qianjiang District, Chongqing City	34	273	110.38
Wulong Branch	No. 36 Furong Middle Road, Furong Street, Wulong District, Chongqing City	35	280	137.27
Shizhu Branch	Annex12 No.36 Xinkai Road, Nanbin Street, Shizhu Tujia Autonomous County, Chongqing City	32	226	120.01
Xiushan Branch	No. 35, Yuxiu Avenue, Zhonghe Street, Xiushan Tujia and Miao Autonomous County, Chongqing City	36	255	116.58

Name	Address	Number of Outlet	Number of staff	Assets size (RMB100 million)
Youyang Branch	No. 5, Taohuayuan Middle Road, Taohuayuan Town, Youyang Tujia and Miao Autonomous County, Chongqing City	46	310	142.24
Pengshui Branch	Annex 4, No.2 Shizui Street, Hanjia Street, Pengshui Miao and Tujia Autonomous County, Chongqing City	46	318	143.43
Qujing Branch	No. 460, Qilin West Road, Qilin District, Qujing City, Yunnan Province	2	54	60.87
Total		1,760	14,905	12,261.47

IX. Profit and Dividends

(1) Formulation and implementation of the cash dividend policy

According to the Articles of Association of Chongqing Rural Commercial Bank Co., Ltd., the Bank may distribute dividend in the form of cash, share, or a combination of cash and share. The profit distribution policy of the Bank shall be focused on generating reasonable return for investors. The profit distribution policy shall maintain its continuity and stability and, meanwhile, give consideration to the long-term interests of the Bank, the interests of the shareholders as a whole and the sustainable development of the Bank. Cash shall be the main form of dividend distributed by the Bank. If required under the regulatory requirements of the securities regulatory authorities at the places where the shares of the Bank are listed, the Bank shall provide online voting platform when the profit distribution plan is considered and deliberated. Except under special circumstances, the Bank shall distribute profit to shareholders of ordinary shares in the form of cash every year with an aggregate amount not less than 10% of the net profit attributed to shareholders of the Bank.

During the Reporting Period, the Bank's profit distribution plan for 2020 was strictly implemented in accordance with the relevant provisions of the Articles of Association of the Company, and the standard and proportion for dividend distribution were clear and distinct. According to the resolution passed at the 2020 Annual General Meeting of the Bank held on 28 May 2021, a cash dividend of RMB0.222 per Share (tax inclusive) for 2020 will be distributed to all shareholders with a total of RMB2.512 billion (tax inclusive) distributed, based on the total share capital of 11.357 billion Shares. Specifically: cash dividend of RMB1.963 billion (tax inclusive) will be distributed for A Shares on 29 June 2021; cash dividend of RMB558 million (tax inclusive) will be distributed for H shares in HKD for H Shares on 9 July 2021.

The Bank's profit distribution plan for 2021 will also be implemented in strict accordance with the relevant provisions of the Articles of Association of the Bank and will be submitted to the Bank's 2021 annual general meeting for consideration upon consideration and approval by the Bank's Board of Directors. The independent directors of the Bank have issued independent opinions on the profit distribution plans for 2020 and 2021, and the Bank has fully protected the legitimate rights and interests of small and medium-sized investors during the process of equity distribution plans and implementation of plans.

(2) 2021 Profit Distribution Plan

On the basis of the audited after tax profit of the Bank for 2021 in the amount of RMB8,608 million, 10% of such profit (being RMB861 million) was appropriated for statutory surplus reserve and on the basis of a margin of 1.5% of the remaining amount of risk assets, RMB1.666 billion was provided for the general risk reserve. The Board of Directors recommended a distribution of cash dividends in an aggregate amount of RMB2.868 billion (tax inclusive) for 2021 to all the Shareholders at a par value of RMB2.525 per 10 shares (tax inclusive), and the remaining profit after tax will transferred to unappropriated profit. The dividend distribution plan will be submitted to the annual general meeting of 2021 for consideration and approval. If such proposal obtains approval from the annual general meeting of 2021, the A share dividend is expected to be paid on 29 June 2022, and H share dividend is expected to be paid on 8 July 2022. Such proposed dividends will be denominated in RMB. Dividends payable to holders of A shares shall be paid in RMB, whereas dividends payable to holders of H shares shall be paid in HKD. The applicable exchange rate for dividends payable in HKD shall be the average of the central parity rates of RMB to HKD of the five business days preceding the date of declaration (including first date) of such dividends at the 2021 annual general meeting of the Bank as announced by the PBOC.

(3) Profit distribution in the past three years

RMB: in million	2021	2020	2019
Cash dividends	2,868	2,521	2,612
As a percentage of profit for the year	29.51%	29.44%	26.15%
As a percentage of net profit attributable to ordinary shareholders	30.00%	30.01%	26.76%

Note: Implementation of the 2021 profit distribution plan is subject to the consideration and approval at the 2021 annual general meeting.

X. Incentive Measures

During the Reporting Period, the Bank had no equity incentive plan, employee stock ownership plan or other employee incentives.

XI. Risk Management and Internal Control

The Bank formulated the Outline of Internal Control Management of Chongqing Rural Commercial Bank Co., Ltd. (《重慶農村商業銀行內部控制管理大綱》) and Basic System of Risk Management of Chongqing Rural Commercial Bank Co., Ltd. (《重慶農村商業銀行風險管理基本制度》). With a sound organizational structure and clear levels of responsibilities and reporting procedures, the Bank has established a risk management and internal control framework. Among them, the Board of Directors is responsible for the establishment, improvement and effective implementation of the risk management and internal control system. The Board of Supervisors supervises the establishment and implementation of risk management and internal control by the Board of Directors and senior management. The senior management is responsible for the ordinary operation of risk management and internal control of the Bank. In addition, the Board of Directors established special committees, such as Audit Committee, Risk Management Committee and Related Party Transaction Supervision Committee to assist the Board of Directors in performing its supervisory and corporate governance duties, covering the Group's compliance management, risk management, internal control, financial resources and internal audit functions.

During the Reporting Period, the Bank carried out the self-examination and self-assessment of internal control system, the activity of “Year of Internal Control and Compliance Management Construction”, case risk investigation, employee abnormal behavior investigation, the “Double Record and One District Construction Evaluation”, consumer protection special inspection, etc. according to the regulatory requirements and in combination with the Bank's actual situation, continuously improving the duty performance capabilities and effect of lines, continuously enhancing employees' compliance awareness, and further improving the compliance of business development and the effectiveness of internal control management.

During the Reporting Period, the Bank evaluated the internal control status of the whole bank in 2021, and no major defects were found in the internal control of the Bank after review by the Board of Directors of the Bank. For details, please refer to the 2021 Internal Control Evaluation Report of Chongqing Rural Commercial Bank Co., Ltd. published on the websites of Shanghai Stock Exchange and the HKEXnews website of the Hong Kong Stock Exchange and the 2021 Internal Control Audit Report of Chongqing Rural Commercial Bank Co., Ltd. issued by PricewaterhouseCoopers Zhong Tian LLP with standard unqualified opinion.

The Bank has established a risk management system of “comprehensive, full-service, all-staff” to achieve full coverage management of all kinds of risks, all kinds of institutions and all kinds of product risks, and regularly conducts comprehensive evaluations on the risk management at the group level, the contents of which include the construction of risk management system, implementation of preference limit, capital management, stress test, emergency response mechanism, consolidated management, credit/liquidity/market/operational risk/information technology risk/reputation risk/money laundering risk, etc., as well as information system and data quality, covering the management situation, development trend and next step plan, etc. The evaluation results shall be reported to the senior management and the Board of Directors of the Bank. Please refer to the “Chapter 3 Management Discussion and Analysis-V. Risk Management” of this Report for information about the Group’s risk management in 2021.

During the Reporting Period, the Board of Directors of the Bank have completed overall assessment on the effectiveness of the risk management systems of the Bank for 2020 and the first half year of 2021. The Board of Directors believes that, the overall operation of the Bank’s risk management and internal control systems is sufficient and effective. No major issues should be specially concerned with during the year.

XII. Chairman and President

The roles of the chairman and the president of the Bank are carried out by different individuals and their duties are clearly defined. Mr. Liu Jianzhong, the chairman of the Board of Directors of the Bank, is responsible for planning the overall strategies of the Bank and leading the Board of Directors so as to ensure that it functions efficiently and discusses all material matters in a timely manner. Mr. Xie Wenhui, the president of the Bank, is responsible for the Bank’s business development and the management and operation of overall business of the Bank.

XIII. Securities Transactions by Directors and Supervisors

The Bank has adopted, in respect of securities transactions by directors and supervisors, the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Hong Kong Listing Rules. Having made specific enquiries with all directors and supervisors, all directors and supervisors confirmed that they have complied with the Model Code for the year ended 31 December 2021.

XIV. External Auditors’ and Auditors’ Remuneration

It was considered and approved at the 2020 general meeting of the Bank that the Bank continued to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Bank for 2021. The above two accounting firms have served the Bank continuously for 8 years.

The Bank's 2021 financial statements and internal control in 2021 prepared by the Bank in accordance with the Chinese Accounting Standards has been audited by PricewaterhouseCoopers Zhong Tian LLP, and signed by certified public accountants Wang Wei and Feng Ye, of which Wang Wei and Feng Ye have one year and two years of continuous service as signing certified accountant, respectively. The 2021 financial statements prepared in accordance with the International Financial Reporting Standards have been audited by PricewaterhouseCoopers, and signed by accountant Leung Kwok Wai, with a continuous service life of three years.

The tax-inclusive remuneration for the auditors of 2021 amounted to RMB7.70 million, including internal control audit expenses of RMB800,000.

XV. Sponsor and Remuneration

In 2019, the Bank hired China International Capital Corporation Limited as the sponsor for the public offering of new shares, and the period for its continuous supervision on the Bank ended on 31 December 2021, and its remuneration was fully paid in 2019.

XVI. Company Secretary

The Bank appointed Ms. Wong Sau Ping of TMF Hong Kong Limited, an external service provider, as the company secretary of the Bank, and Mr. Zhang Peizong (Secretary to the Board of the Bank) was the chief contact person for the external company secretary. Ms. Wong Sau Ping complied with the requirements under Rule 3.29 of the Hong Kong Listing Rules by receiving relevant professional training for not less than 15 hours during the Reporting Period.

XVII. Rights of Shareholders

Rights of shareholders to request the convening of an extraordinary general meeting

Upon the requisition in writing of shareholders, individually or jointly, holding more than 10% of the Company's issued shares carrying the voting rights, the Bank shall convene an extraordinary general meeting within 2 months.

The Board of Directors shall make a written feedback within ten days from the date of receiving the request. Where the Board agrees to convene the meeting, it shall issue a notice regarding the convening within five days from the date of the resolution concerned. Where the Board disagrees with the convening, or makes no feedback, the Shareholders who propose to convening the meeting shall make a written request to the Board of Supervisors. Where the Board of Supervisors agrees with the convening, it shall release a notice regarding the convening within five days from the date of receiving the request. Where Board of Supervisors fails to issue such a notice, the shareholders individually or jointly having more than 10 percent of the Bank's shares carrying the voting rights for more than 90 consecutive days may convene and preside over an extraordinary general meeting.

Rights of shareholders to make provisional proposals for the general meeting

As for the general meeting in the Bank, the shareholders individually or jointly holding more than 3% of the total voting shares in the Bank, shall all have the right to present new proposals in writing to the Bank, and the Bank shall place into the agenda of the meeting the matters in such proposals falling within the functions of the general meeting.

The shareholders individually or jointly holding more than 3% of the total voting shares in the Bank, may make written provisional proposals to the Bank ten days before the meeting, and submit such proposals to the convener. The convener shall, within two days after receiving such proposals, issue a supplementary notice to the general meeting, stating such provisional proposals.

Shareholder's inquiry right

After a shareholder provides the Bank with written documents certifying the class and number of shares of the Bank he/she held and verifying his/her identity, he/she shall have the right to inspect the relevant information of the Bank in accordance with the Articles of Association of the Bank, including the Articles of Association, the minutes or resolutions of the general meeting, the resolutions of the Board of Directors, the resolutions of the Board of Supervisors, and the periodic reports announced by the Bank.

XVII. Information Disclosure and Investor Relations

(1) Information Disclosure

During the Reporting Period, the Bank strictly complied with relevant laws and regulations on information disclosure, and earnestly performed its obligation of information disclosure. The Bank continued to standardize the information disclosure acts of the Bank and relevant information disclosure obligors, conducted information disclosure related training throughout the Bank, further clarified the rules and requirements of information disclosure, sorted out and improved relevant work processes to ensure that information disclosure was true, accurate, complete and timely, and operated in accordance with the law, effectively safeguarding the legitimate rights and interests of the Bank, investors and other stakeholders.

At the same time, the Bank formulated the Management Measures for Registration of Insiders of Inside Information, and strictly implemented the management of confidentiality and registration of insiders of inside information according to such Measures. During the Reporting Period, no insider was found to use insider information to buy or sell the shares of the Bank.

(2) Investor Relations

During the Reporting Period, the Bank communicated with investors many times about the Bank's development strategy, business situation, financial conditions and other matters through performance briefing, analyst meeting, acceptance of investor research, SSE e-interaction, IR email, investor hotline, etc., keeping good information transparency and effectively meeting the communication needs of domestic and foreign investors.

(3) Amendments to the Articles of Association

During the Reporting Period, the Bank has not amended the Articles of Association.

(4) Shareholders' Enquiries

Any enquiries related to the shareholding, including the transfer of shares, change of address, loss of share certificates and dividend warrants, should be sent in writing to the following address:

A Shares:

Shanghai branch of China Securities Depository and Clearing Company Limited
No.188, Yanggao South Road, Pudong New District, Shanghai
Tel: 4008058058 (customer service center)

H Shares:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong
Telephone: (852) 2862 2863
Facsimile: (852) 2865 0990/(852) 2529 6087

(5) Investor Relations Contact Information

Shareholders and investors may send enquiries to the Board of Directors to the following:

Office of the Board of Directors of the Bank
Address: No. 36 Jinshamen Road, Jiangbei District, Chongqing, China
Telephone: (8623) 6111 0637
Facsimile: (8623) 6111 0844
Email: ir@cqrcb.com

Principal Place of Business in Hong Kong of the Bank:
31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

This report is available on the website of the Bank (www.cqrcb.com), the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of Shanghai Stock Exchange (<http://www.sse.com.cn>).

XIX. Other Information

The Bank holds a financial license number B0335H250000001 approved by the CBIRC, and was authorized by the Market Supervision Administration of Chongqing Municipality to obtain a corporate legal person business license with a unified social credit code 91500000676129728J. The Bank is not an authorized institution in accordance with the Hong Kong 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 deposit-taking business in Hong Kong.

Environmental and Social Responsibilities

The Bank and its subsidiaries are not the key pollutant discharge units announced by the environmental protection department, and there was no environmental violation information during the Reporting Period. For details of the performance of social responsibilities of the Bank, please refer to the 2021 Report on Corporate Social Responsibilities of Chongqing Rural Commercial Bank Co., Ltd. published on the website of the Bank, the HKEXnews website of the Hong Kong Stock Exchange and the website of Shanghai Stock Exchange.

I. Green Finance

Since 2020, the Bank has adopted equator principle, became the 4th “Equator Bank” in China and the 1st “Equator Bank” in the Central and Western regions. In 2021, the Bank was appointed by Chongqing Operation and Management Department of the PBOC as the leader of Chongqing financial institutions’ environmental information disclosure working group, taking the lead in the research of environmental information disclosure system, and became the first financial institution in Chongqing to disclose climate and environmental information of the previous year through “Yangtze River Green Trade Financing”. The Bank won many honors such as the “2021 ESG Practice Tianji Award of China Banking Industry”, the “Annual Social Responsibility Green Finance Award”, and the “Dianzan·2021 Influential Financial Enterprise Brand”, demonstrating the good brand image of green bank. The Bank actively transmitted the concept of energy conservation and environmental protection, carried out green environmental protection public welfare activities, implemented energy conservation and emission reduction measures, and created a green “paperless” office environment, helping Chongqing to speed up the construction of a “beautiful place with beautiful scenery”.

As of the end of 2021, the Bank’s green credit balance was 36.664 billion, accounting for 6.89% of credit assets and representing an increase of 1.6 percentage points as compare with the end of previous year. Net increase in green loans amounted to RMB12.098 billion, with a growth exceeding 49%. In 2021, the Bank released the green loans, which were mainly invested in rail transit, water resources treatment, wind power and other projects. Focusing on the important policies and strategies of the party and the state, the Bank has always adhered to the concept of ecological priority and green development, strengthened cooperation with frontier institutions in the field of green development, and made great efforts to improve the professional level of green finance. The Bank continued to optimize the green financial service model, established and improved the organizational action system, participated in the formulation of green financial evaluation standards, and promoted the deep integration of developing green finance with serving local economic construction and social and people’s livelihood. The Bank strengthened the publicity of green culture, enriched the connotation of green culture, built a brand of green culture and strove to become a benchmark bank of green finance.

Build an “equator” system. The Bank formulated the Work Plan for Environmental Information Disclosure of Chongqing Rural Commercial Bank, and became the leader unit of the environmental information disclosure team authorized by Chongqing Operation and Management Department of the PBOC. The Bank formulated the Management Measures for Equator Principle Projects of Chongqing Rural Commercial Bank, further improved the construction of the equator principle system and standardized the flow management of equator principle.

Environmental and Social Responsibilities

Build green banks. The Bank formulated the Implementation Plan of Green Banks, actively carried out green and low-carbon operation around “carbon emissions peak, carbon neutrality”, promoted the construction of green banks, guided branches to speed up the release of green credit and expand green financial services, and gave full play to the leading role of demonstration. At present, the Bank has established 3 green banks in Jiangbei, Yuzhong and Wanzhou.

Build an assessment system. The Bank included the release of green credit into the KPI assessment system of relevant departments and offices and branches, converted the economic capital occupation costs of green credit, further lowered the FTP price of green credit, and implemented interest rate concessions for green projects.

Build a green system. The Bank cooperated with the PBOC to complete the data test of the green financing system, and actively connected and gave feedback for the test data. In addition, the Bank completed the launch of the green credit business system, and realized the intelligent identification and determination of green credit and the calculation of environmental benefits.

II. Rural Revitalization

In 2021, the Bank conscientiously implemented the important deployment of the CPC Central Committee’s strategy of comprehensively promoting rural revitalization, strictly implemented the work requirements of the banking industry to provide high-quality services for rural revitalization, gave full play to the advantages of local corporate banks, such as flexible operation, wide outlets and roots in grass-roots villages and towns, took the initiative to properly handle three key tasks of institutional mechanism, financial innovation and service upgrading, and enhanced the financial service capacity, continuously injecting financial “new kinetic energy” for the comprehensive promotion of rural revitalization.

Emphasize the system and mechanism to activate the internal motivation of serving rural revitalization. The Head Office established a “double-team leader system” leading group for rural revitalization strategy headed by the chairman and president, and focused on assisting towns and villages in municipal rural revitalization. One head office team member was appointed to contact, one district and county branch was established to serve, and N head office departments and offices cooperated to form a service team, forming a “1+1+N” rural revitalization service pattern. From the aspects of organizational structure, staffing, assessment and incentive, expense arrangement, authority decentralization, bad tolerance, etc., the Bank gave preferential policies to the financial business of rural revitalization, and established six special work classes, such as talent assistance, industrial assistance and science and technology empowerment, to fully serve rural revitalization. As of the end of 2021, the balance of agriculture loans of the Group was RMB195.774 billion, representing an increase of RMB25.36 billion as compared to the end of the previous year.

Emphasize financial innovation and accurately determine the fulcrum of rural industries bringing wealth. The Bank established a linkage model of “grass-roots government + rural outlets”, which connects the outlets with the two committees of villages and branches, and carries out filing ratings for farmers, large rural professional households, business operators of rural characteristic industries and leaders of rural wealth. The Bank promoted the integration mode of “supply and marketing cooperatives + farmers’ professional cooperatives + rural commercial banks”, carried out the pilot project of building the credit evaluation system of farmers’ professional cooperatives, and developed the platform of “integration of three cooperatives” to realize online filing and rating. The Bank explored the cooperative mode of “supervision + bank + insurance”, launched the live asset mortgage business, registered with the regulatory agencies, and innovated various financing methods such as “bank + corporate credit + policy insurance”, and “bank+ policy insurance + commercial insurance”. At present, living mortgage has covered the fields of live pigs, live sheep and beef cattle, and has been extended to seven districts and counties.

Emphasize service upgrading to ensure the practical implementation of rural benefits to the people. The Bank innovatively launched online credit products such as “Yukuai Village Loan”, and integrated the filing rating information collected by customer managers with external big data to realize online application, approval, expenditure and risk control decision data modeling. The Bank has built an “air bank”, which through face recognition, security encryption and other technologies, uses video teller centralized online operation to realize video handling of high-counter scenario business, so as to break the threshold of self-service operation for people with “digital divide” such as rural residents and the elderly. The Bank has built a “dialect bank”, which through the mixed model of “Chongqing Mandarin”, enables the Bank’s self-service machines and mobile banking to understand Chongqing dialect, so as to provide “warm” financial services for rural customers and elderly customers.

III. Consumer Rights Protection

In 2021, the Bank continued to uphold the development philosophy of “people-centered”. The Bank combined the protection of consumer rights and interests with practical activities for the masses, worked hard to solve the difficulties at the grass-roots level and the troubles of the masses, and continuously improved the level and awareness of consumer rights protection.

Strictly and realistically grasp the construction of systems and mechanisms around “more solid foundation”. Strengthen the top-level design: In the strategic planning of the Bank’s 14th Five-Year Plan (2021-2025), the Bank further clarified the strategy, policies and objectives of consumer rights protection, and issued the Opinions on Consumer Rights Protection and the Notice on Strengthening Consumer Rights Protection. The Board of Directors and the Consumer Protection Committee regularly review the consumer protection work and made overall planning and supervision on the consumer protection work; the Board of Supervisors supervises the performance of duties by the Board of Directors and the senior management by deliberating reports; the senior management regularly guide the Bank to implement consumer protection measures; consumer protection functional departments give full play to their positive role in system construction, consumer protection review, publicity and education, supervision and inspection, internal assessment, etc., and build a full-process consumer rights protection system with the characteristics of the Bank, covering pre-event prevention, interim-event control and post-event settlement.

Environmental and Social Responsibilities

Go all out to make the service more warm around “more satisfaction”. According to the characteristics of Chongqing dialect, the Bank tailored the “Dialect Bank” service, and launched the intelligent voice navigation function on the convenience self-service terminal (158) of the Bank. Elderly customers can use Chongqing dialect to handle various services of “deposit, withdrawal, payment and check of fees”, further reducing the screen menu operation and the difficulty of using self-service equipment. The Bank actively promoted the aging transformation of mobile banking App, tailored the simple version of mobile banking for the elderly customers, adopted the big font design style, and displayed the function names in tabular and palace format. In addition, the Bank reserved convenient manual service buttons for the elderly in telephone banking, and set direct “turn to manual” buttons in relatively complex business categories to continuously improve the ease of use and security of mobile payment services for the elderly customers. Around the hot and difficult issues of social concern and focusing on special groups such as “the elderly and young people”, the Bank launched the special publicity campaign of “Mine Action”, and in combination with the theme publicity activities such as “3.15 Education and Publicity Week”, “Financial Knowledge Miles” and “Protecting Money Bag”, and provided online resources and services such as risk warning, prize-winning question and answer, interactive games, etc. by using the official website, mobile banking APP and WeChat official account. The Bank pushed more than 60 WeChat pictures and short videos of various financial publicity knowledge in total, carried out 615 mine action publicity campaigns and more than 4,000 special publicity campaigns, and was awarded the title of “Advanced Collective of Financial Joint Education and Publicity Activities in 2021”.

Promote diversified solution of consumer disputes around “people-oriented”. The Bank continued to promote the comprehensive publicity of complaint acceptance channels and improve the construction of “complaint reception area”. The Bank established a quick complaint handling mechanism, and accepted complaints by the two-line transfer of “system + telephone”. The Bank organized the “Listening Plan”, set up the President’s Open Day to receive complaints regularly, and earnestly implemented the first inquiry responsibility system of institutions. The Bank improved the function of complaint tracking system, marked the data of respondents, checked and reminded the historical complaint data, warned important complaints, entered the complaint verification ledger, etc., and enhanced the technical support of complaint management. The Bank comprehensively promoted the construction of diversified dispute resolution mechanism, and actively mediated repeated complaints and difficult complaints through the tripartite mediation center in accordance with the principle that all efforts should be made. The Bank strengthened the assessment of complaints, and held responsible heavily persons accountable with respect to complaints that were verified to be problematic. In the whole year, the Bank accepted 2,379 consumer complaints, and the total number of complaints decreased by 28.64% year-on-year, involving 16 business categories including RMB savings, loans, bank cards, self-operated wealth management, payment and settlement, RMB management, personal financial information, bank agency business, other intermediary business, debt collection, treasury business, functional business, other banking business, call service, other complaints, and legal person business, 11 complaint handling channels including on-site, self-service machine, online banking channel, telephone channel, mobile client, online public platform, short message channel, other electronic channels, third-party channel, other front-office business channels and middle-back office business channel, and 12 complaint reasons including service quality, business system and facilities, business rules, marketing methods, information disclosure, consumer choice, service charges, product income, contract terms, capital security, information security and debt collection. 43 branches (including the business department of the headquarter) of the Bank were involved, including 42 sub-branches in Chongqing (including the business department of the headquarter) and 1 sub-branch in Yunnan. The complaint completion rate and the customer satisfaction rate were 99.66% and 99.71% respectively.

I. Performances of Undertakings

During the Reporting Period, the Bank and its Shareholders, directors, supervisors and senior management strictly fulfilled various obligations and responsibilities undertaken in the Prospectus for Initial Public Offering disclosed on 20 September 2019 and the Announcement on the Listing of the Shares under Initial Public Offering disclosed on 28 October 2019.

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
Undertakings in relation to the initial public offer	Limited sales of shares	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and Loncin Holdings Ltd. (隆鑫控股有限公司)	<p>Within 36 months from the listing of the shares issued by Chongqing Rural Commercial Bank, the Company shall not transfer or entrust others to manage the domestic shares issued by Chongqing Rural Commercial Bank directly or indirectly held by the Company before the initial public offering of A shares, and the part of those shares held by the Company will not be repurchased by Chongqing Rural Commercial Bank.</p> <p>Shareholders' intention to hold shares and undertakings in relation to reducing their holdings:</p> <ol style="list-style-type: none"> 1. Within 6 months from the listing date of shares issued by Chongqing Rural Commercial Bank, if the closing price of A shares of Chongqing Rural Commercial Bank is lower than the issue price for 20 consecutive trading days, or the closing price is lower than the issue price as at the end of the 6-month period upon the listing (if the day is not a trading day, it will be the first trading day after that day), the lock-up period of the shares of Chongqing Rural Commercial Bank held by it will be automatically extended for another 6 months on the basis of 36 months. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend. 2. Within 2 years after the expiry of the above lock-up period (including the extended lock-up period), if it reduces its holdings in Chongqing Rural Commercial Bank's A shares which have directly or indirectly held by it before this issuance of Chongqing Rural Commercial Bank (excluding A shares newly purchased from the public market after this issuance of Chongqing Rural Commercial Bank), the reduction price shall not be lower than the issue price of the issuance. If Chongqing Rural Commercial Bank has any ex-rights and ex-dividend events such as dividend distribution, bonus shares of issue, and capitalisation of capital reserves after the issuance and listing, the issue price will be adjusted by ex-rights and ex-dividend. 3. After the expiry of the lock-up period (including the extended lock-up period) of the shares of Chongqing Rural Commercial Bank held by it, when it reduces its holdings of Chongqing Rural Commercial Bank's A shares, it will notify Chongqing Rural Commercial Bank in writing of the intention to reduce its holdings and the amount of its proposed reduction and Chongqing Rural Commercial Bank shall perform the announcement obligation (if required) in accordance with the rules in force at that time. After 3 trading days from the date of the announcement of Chongqing Rural Commercial Bank, it can reduce its holdings of Chongqing Rural Commercial Bank's A shares. 	29 October 2019 - 29 April 2025

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
Undertakings in relation to the initial public offer	Limited sales of shares	Zuo Ruilan (resigned) and Zhu Yuzhou (resigned), superiors who hold shares of the Bank	The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 1 year from the stock listing date under this offering. During my term of office in Chongqing Rural Commercial Bank, I will not transfer more than 25% of the total number of shares of Chongqing Rural Commercial Bank that I hold through concentrated bidding, block trade and share transfer by agreement every year, excluding the shareholdings change caused by judicial enforcement, inheritance, legacy and legal property division. If I resign as the supervisor of Chongqing Rural Commercial Bank, I shall not transfer any shares of Chongqing Rural Commercial Bank that I hold within half a year after the termination of my appointment.	29 October 2019 – half a year after the termination of their appointments
Undertakings in relation to the initial public offer	Limited sales of shares	individuals of the Bank who hold more than 50,000 internal employee shares of the Bank	The shares of Chongqing Rural Commercial Bank that I hold will not be transferred within 3 years from the listing date of the A shares of Chongqing Rural Commercial Bank. After the expiry of the above 3-year lock-up period, the shares of Chongqing Rural Commercial Bank sold by me in each year shall not exceed 15% of my total shareholdings in Chongqing Rural Commercial Bank. The total number of shares of the Chongqing Rural Commercial Bank transferred by me within 5 years from the expiry of the above 3-year lock-up period shall not exceed 50% of my total shareholdings in Chongqing Rural Commercial Bank. 1 resigned employee of the Bank did not sign these letters of commitment due to personal reasons.	29 October 2019 – 29 October 2027
Undertakings in relation to the initial public offer	Share price stabilization	Chongqing Rural Commercial Bank, directors of the Bank (excluding independent directors and directors who are not receiving remuneration from the Bank) and senior management of the Bank	If, within three years after the listing of initial public offering of A Shares of Chongqing Rural Commercial Bank, the closing prices of A Shares of the Bank remain lower than its latest audited net asset value per share for 20 consecutive trading days which is not attributable to any event of force majeure, subject to the relevant laws, regulations and regulatory documents regarding the increase in shares or repurchase requirements, the Bank and relevant entities will adopt measures, including share repurchase of the Bank and shareholding increment to the directors of the Bank (excluding independent directors and directors who are not receiving remuneration from the Bank) and senior management of the Bank, to stabilise the stock price.	29 October 2019 – 29 October 2022
Undertakings in relation to the initial public offer	Shareholding reduction	Domestic Shareholders holding over 1% of shares of the Bank ¹¹	The Company will comply with Several Provisions on the Reduction of Shares Held by the Shareholders, Directors, Supervisors, and Senior Executives of the Listed Company (《上市公司股東、董監高減持股份的若干規定》) issued by the CSRC, and relevant requirements under the Rules Governing the Listing of Stocks (《股票上市規則》) and the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies (《上海證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》) issued by the Shanghai Stock Exchange.	29 October 2019 – permanent

1. Prior to the initial public offering of A Shares of the Bank, domestic Shareholders holding over 1% of shares of the Bank include Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司), Loncin Holdings Co., Ltd. (隆鑫控股有限公司), Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司), Beijing Jiuding Real Estate Development Co., Ltd. (北京九鼎房地產開發有限責任公司), Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司), Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司), Jiangsu Huaxi Group Co., Ltd. (江蘇華西集團有限公司), Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司), Panhua Group Co., Ltd. (攀華集團有限公司), Chongqing Guanghua Holding (Group) Co., Ltd. 重慶光華控股(集團)有限公司 and Chongqing Jinyuan Times Shopping Mall Co. Ltd. (重慶金源時代購物廣場有限公司).

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
Undertakings in relation to the initial public offer	Resolution of horizontal competition	Chongqing Yufu Capital Opeartion Group Company Limited (重慶渝富資本運營集團有限公司),	<ol style="list-style-type: none"> 1. The existing main business of the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) does not involve commercial banking business, and has no horizontal competition with Chongqing Rural Commercial Bank. 2. During the period of the Company as a substantial shareholder of Chongqing Rural Commercial Bank, the Company and its subsidiaries (including wholly-owned, holding subsidiaries and enterprises that the Company has actual controls over them) will not, directly or indirectly, engage in business activities that compete with or may compete with the main business of Chongqing Rural Commercial Bank in any way. The Company will supervise its subsidiaries in accordance with this undertaking and exercise necessary rights to ensure them to comply with this undertaking. 3. Notwithstanding Articles 1 and 2 above, considering that the Company is a wholly State-owned company whose establishment has been approved by Chongqing Municipal People's Government and engaged in comprehensive investment and management of state-owned asset and carries out businesses including financial businesses such as investment in securities companies, banks and insurance companies, and manages relevant financial assets, the Company and the enterprises controlled by the Company may invest in enterprises engaged in commercial banking business, to the extent authorized by Chongqing Municipal People's Government, in any form permitted by laws and regulations (including but not limited to sole proprietorship, joint venture, cooperative operation and direct or indirect ownership of shares or other interests in other companies or enterprises). As at the date of giving the undertakings, the Company invested in Chongqing Rural Commercial Bank and held 13.02% of shares of the bank, in addition to investment in Chongqing Rural Commercial Bank Co., Ltd. 	20 September 2019 – permanent

Major Events

Undertaking background	Type of undertaking	Undertaking party	Contents of the undertaking	Date and duration of undertaking
			<ol style="list-style-type: none">The Company undertakes to fairly treat the commercial banks in which the company and the enterprises controlled by the Company invest, and will not grant or provide to any commercial banks, government approval, authorization, license or business opportunities obtained or possibly obtained by the Company and the enterprises controlled by the Company for carrying out commercial banking business, or use the status as a major shareholder of Chongqing Rural Commercial Bank or the information obtained with such status, to make any decision or judgment which is adverse to Chongqing Rural Commercial Bank but beneficial to other commercial banks in which the Company or the enterprises controlled by the Company invest, and will make efforts to avoid the occurrence of such event. In exercising the rights of a shareholder of Chongqing Rural Commercial Bank, the Company will act in the best interests of Chongqing Rural Commercial Bank as if the Chongqing Rural Commercial Bank is the sole commercial bank in which the Company invests, and the business judgment of the Company as a shareholder of Chongqing Rural Commercial Bank to seek the best interests for Chongqing Rural Commercial Bank will not be affected as a result of the investment of the Company and the enterprises controlled by the Company in other commercial banks.The Company warrants that it will strictly comply with relevant rules and regulations of CSRC and the stock exchange where Chongqing Rural Commercial Bank is listed, the Articles of Association of Chongqing Rural Commercial Bank, measures for management of related party transactions and other corporate management policies, exercise the rights of a shareholder and perform obligations of a shareholder equally with other shareholders, and will not use the status as a major shareholder to seek improper advantage, or damage the legitimate rights and interests of Chongqing Rural Commercial Bank and other shareholders.	

II. Misappropriation of the Funds by Controlling Shareholder or Other Related Parties

During the Reporting Period, the Bank had no misappropriation of the Bank's funds by controlling shareholders or other related parties for non-operating purposes.

III. Matters Relating to Insolvency or Restructuring

During the Reporting Period, the Bank had no matters relating to insolvency or restructuring.

IV. Material Legal Proceedings and Arbitrations

During the Reporting Period, there were no material legal proceedings or arbitrations which had substantial impact on the operating activities of the Group.

As of the end of the Reporting Period, pending legal proceedings in which the Group was a defendant or a third party involved an amount of RMB24.6906 million. In the view of the Bank, these will not have any material effect on the Bank's operating activities.

V. Penalties Imposed on the Bank and Directors, Supervisors and Senior Management of the Bank

During the Reporting Period, none of the Bank or its directors, supervisors and senior management was investigated or subject to compulsory measures in accordance with the law, subject to criminal penalties, investigated by the CSRC or subject to administrative penalties, significant administrative penalties by other competent authorities, subject to detention measures by disciplinary inspection and supervision authorities and affecting the performance of their duties, subject to disciplinary punishment by the stock exchanges, or subject to compulsory measures by other competent authorities and affecting the performance of their duties.

VI. Integrity

During the Reporting Period, the Bank did not exist the situations neither of refusing the execution of obligations determined in valid legal instruments of the court nor unsettling significant due debts.

VII. Material Related Party Transactions

During the Reporting Period, for details of related party transactions of the Bank, please refer to the section headed “Chapter 3 Management Discussion and Analysis – V. Risk Management – (10) Related Party Transactions” of this report.

VIII. Material Contracts and their Performance

During the Reporting Period, the Bank did not have any major custody, contracting or leasing of the assets of other companies or other custody, contracting or leasing of the assets of the Bank. The guarantee business is the daily business of the Bank. During the Reporting Period, except for the financial guarantee business within the business scope approved by the regulatory authorities, the Bank had no other major guarantee matters that needed to be disclosed.

IX. Acquisition and Disposal of Assets and Merger of Enterprises

During the Reporting Period, the Bank had no material acquisition and disposal of assets and merger of enterprises.

X. Others

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

Changes in Shares and Particulars of Shareholders

I. Changes in Share Capital of Ordinary Shares

(I) Movement in Ordinary Shares

Unit: share

	31 December 2020		Change for the Reporting Period	31 December 2021	
	Number of shares	Percentage (%)		Number of shares	Percentage (%)
I. Shares with selling restrictions	2,969,198,941	26.14	—	2,969,198,941	26.14
1. State-owned shares	—	—	—	—	—
2. Shares held by state-owned legal persons	2,374,171,611	20.90	—	2,374,171,611	20.90
3. Shares held by other domestic investors	595,027,330	5.24	—	595,027,330	5.24
Among which: Shares held by domestic non- state-owned legal persons	579,577,300	5.10	—	579,577,300	5.10
Shares held by domestic natural persons	15,450,030	0.14	—	15,450,030	0.14
4. Shares held by foreign investors	—	—	—	—	—
II. Tradable shares without selling restrictions	8,387,801,059	73.86	—	8,387,801,059	73.86
1. RMB-denominated ordinary shares	5,874,465,018	51.73	—	5,874,465,018	51.73
2. Domestic listed foreign shares	—	—	—	—	—
3. Overseas listed foreign share	2,513,336,041	22.13	—	2,513,336,041	22.13
4. Others	—	—	—	—	—
III. Total ordinary shares	11,357,000,000	100.00	—	11,357,000,000	100.00

(II) Explanation of changes in ordinary shares

During the Reporting Period, there was no change in the number of the shares with selling restrictions and without selling restrictions or the total share capital of the Bank.

II. Securities Issuance and Listing

(I) Securities issuance during the Reporting Period

During the Reporting Period, the Bank has not issued any new ordinary shares and has not publicly issued any corporate bonds listed on the stock exchange.

On 3 June 2021, the Bank issued the first tranche and the second tranche green financial bonds (the bond referred to as “21 Chongqing Rural Commercial Green Financial Bond 01” and “21 Chongqing Rural Commercial Green Financial Bond 02”, bond code: 2121024 and 2121025) of Chongqing Rural Commercial Bank Co., Ltd. for 2021 through book-building process and filing. Such bonds are a 3-year fixed-rate variety and the coupon rate is 3.29%. Final issuance scale is RMB1 billion and RMB2 billion, respectively. The proceeds shall be used in green industry projects stipulated by the Green Finance Committee of China Society of Finance and Banking (中國金融學會綠色金融專業委員會).

On 24 August 2021, the Bank issued the Capital Bonds of Chongqing Rural Commercial Bank Co., Ltd. with No Fixed Term for 2021 (the bond referred to as “21 Chongqing Rural Commercial Perpetual Bond”, bond code: 2121038) through book-building process and filing. The duration of such bonds is the consistent with the duration as going concern of the issuer and it sets out the conditional redemption clause for the issuer. The coupon rate is 4.00% and the final issuance scale is RMB4 billion. The proceeds shall be used to supplement other tier-one capitals of the Bank.

(II) Existing internal employee shares

Existing A shares held by internal employees of the Bank are mainly obtained through the following methods: (1) at the time of the establishment of the Bank, shares obtained by the former 39 districts and counties’ on-the-job full-time employees or short-term contract workers in the business category when participating in the establishment of the Bank as promoters and shareholders; (2) after the establishment of the Bank, the Bank’s shares obtained through agreement transfer, inheritance and judicial judgments. On 30 October 2020, part of the restricted shares of the Bank have been released and issued and traded. It’s unable to accurately verify the shareholdings after trading of the domestic employee shares.

Changes in Shares and Particulars of Shareholders

III. Particulars of Shareholders

(I) Total number of shareholders

As at the end of the Reporting Period, the total number of registered shareholders of the Bank was 252,817 holders. Of which, 251,605 was the shareholders of A shares and 1,212 was the shareholders of H shares. As of 28 February 2022 (i.e. the end of the previous month on the publication date of the Bank's A-share annual report), the total number of shareholders of the Bank was 244,222 holders. Of which, 243,013 was the shareholders of A shares and 1,209 was the shareholders of H shares.

(II) Shareholdings of the Top Ten Shareholders

1. Particulars of shareholdings of the top ten shareholders and top ten shareholders without selling restrictions

Unit: share

Name of shareholder (Full name)	Increase/(Decrease) during the Reporting Period	Particulars of shareholdings of the top ten shareholders			Pledged, marked or frozen		
		Number of shares held at the end of the period	Percentage (%)	Number of shares held with selling restrictions	Condition of shares	Number of shares	Nature of shareholder
HKSCC Nominees Limited	0	2,513,336,041	22.13	0	–	–	Overseas legal person
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	0	988,000,000	8.70	988,000,000	–	–	State-owned legal person
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	0	797,087,430	7.02	797,087,430	–	–	State-owned legal person
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	0	589,084,181	5.19	589,084,181	–	–	State-owned legal person
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	0	570,000,000	5.02	570,000,000	Pledged/judicial freezing	570,000,000	Domestic non-State-owned legal person
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	(12,000,000)	188,000,000	1.66	0	–	–	Domestic non-State-owned legal person
Hong Kong Securities Clearing Company Limited	107,369,044	160,693,371	1.41	0	–	–	Overseas legal person
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	(283,100,000)	160,000,000	1.41	0	Pledged	160,000,000	Domestic non-State-owned legal person
Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司)	0	125,000,000	1.10	0	–	–	State-owned legal person
Chongqing Guanghua Holding (Group) Co., Ltd. (重慶光華控股(集團)有限公司)	0	108,452,600	0.95	0	–	–	Domestic non-State-owned legal person

Changes in Shares and Particulars of Shareholders

Particulars of shareholdings of the top ten shareholders without selling restrictions			
Name of shareholder	Number of tradable shares held without selling restrictions	Type and number of shares	
		Type	Number
HKSCC Nominees Limited	2,513,336,041	Overseas listed foreign shares	2,513,336,041
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門高鑫泓股權投資有限公司)	188,000,000	RMB-denominated ordinary shares	188,000,000
Hong Kong Securities Clearing Company Limited	160,693,371	RMB-denominated ordinary shares	160,693,371
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	160,000,000	RMB-denominated ordinary shares	160,000,000
Chongqing Water Group Co., Ltd. (重慶水務集團股份有限公司)	125,000,000	RMB-denominated ordinary shares	125,000,000
Chongqing Guanghua Holding (Group) Co., Ltd. (重慶光華控股(集團)有限公司)	108,452,600	RMB-denominated ordinary shares	108,452,600
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	106,000,000	RMB-denominated ordinary shares	106,000,000
Chongqing Jinyuan Times Shopping Mall Co. Ltd. (重慶金源時代購物廣場有限公司)	100,000,000	RMB-denominated ordinary shares	100,000,000
Chongqing Water Conservancy Investment Group Co., Ltd. (重慶市水利投資(集團)有限公司)	90,400,631	RMB-denominated ordinary shares	90,400,631
Special securities account for agreed repurchase securities transactions of Guotai Junan Securities Co., Ltd. (國泰君安證券股份有限公司)	90,070,000	RMB-denominated ordinary shares	90,070,000
Statement on specific repurchase accounts of top ten shareholders	Nil		
Statement on aforesaid shareholder's entrusted voting rights, trusted voting rights and abandoned voting rights	Nil		
Statement on the related relations or concerted actions among the shareholders above	Not aware of related relations or concerted actions existing among the shareholders above		
Statement on preference shareholders with resumed voting right and their number of shares held	Nil		

Changes in Shares and Particulars of Shareholders

Notes:

- (1) The number of shares held by HKSCC Nominees Limited refers to the total number of shares in the H shareholders' account of the Bank in the trading system represented by HKSCC Nominees Limited.
- (2) As at the end of the Reporting Period, Chongqing River & Holiday Hotel Management Co., Ltd. (重慶兩江假日酒店管理有限公司), Chongqing Chuanyi Automation Co., Ltd. (重慶川儀自動化股份有限公司) and Chongqing Sanxia Financing Guarantee Group Corporation (重慶三峽融資擔保集團股份有限公司) and Chongqing Yufu (Hong Kong) Co., Ltd. (重慶渝富(香港)有限公司), the related parties of Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), hold 2,000,000 A shares, 10,000,000 A shares, 14,318,254 A shares and 13,246,000 H shares of the Bank, respectively, and Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) and its related parties jointly hold 1,027,564,254 shares of the Bank, accounting for 9.05% of the total share capital collectively.
- (3) As at the end of the Reporting Period, Chongqing Yukaifa Co., Ltd. (重慶渝開發股份有限公司), a related party of Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), holds 30,000,000 A shares of the Bank, and Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司) and its related party jointly hold 827,087,430 A shares of the Bank, accounting for 7.28% of the total share capital collectively.
- (4) Hong Kong Securities Clearing Company Limited is an institution that is designated by others to hold shares on their behalf as a nominal holder. It holds the shares of the Bank traded under the Northbound Trading Link and held by investors.

Changes in Shares and Particulars of Shareholders

2. Number of Shares Held by and Selling Restriction of the Top Ten Shareholders with Selling Restrictions

Unit: share

No.	Name of shareholder with selling restrictions	Number of shares held with selling restrictions	Details of approved tradable shares with selling restrictions		
			Time available for trading	Additional number of approved tradable shares	Selling restrictions
1	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	988,000,000	April 2023	0	42 months from the date of the Bank's listing
2	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	797,087,430	April 2023	0	42 months from the date of the Bank's listing
3	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	589,084,181	April 2023	0	42 months from the date of the Bank's listing
4	Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	570,000,000	April 2023	0	42 months from the date of the Bank's listing
5	Chongqing Ruineng Construction Engineering Co., Ltd. (重慶瑞能建築工程集團有限公司)	5,200,000	October 2022	0	36 months from the date of the Bank's listing
6	Xiamen Qipilang Asset Management Co., Ltd. (廈門七匹狼資產管理有限公司)	4,000,000	October 2022	0	36 months from the date of the Bank's listing
7	Deng Lingran	1,000,000	October 2022	0	36 months from the date of the Bank's listing
8	Huang Rong	817,400	October 2022	0	36 months from the date of the Bank's listing
9	Wang Xianjun	301,000	October 2022	0	36 months from the date of the Bank's listing
10	Zhang Li	263,800	Release in batches: October 2022: 39,570 shares; October 2023: 39,570 shares; October 2024: 39,570 shares; October 2025: 13,190 shares; October 2027: 131,900 shares.	0	36 months, 48 months, 60 months, 72 months and 96 months from the date of the Bank's listing, respectively
Statement on the related relations or concerted actions among the shareholders above			Not aware of related relations or concerted actions existing among the shareholders above		

(III) Explanation of the absence of controlling shareholders and actual controllers of the Company

The shareholding structure of the Bank is diversified, as of the end of the Reporting Period, the percentage of shareholding of the largest shareholder was 8.70%, and there are no controlling shareholders holding more than 50% of the shares. For major shareholders holding more than 5% of the shares, their respective shares do not exceed 10% of the total share capital, and their total shareholding does not exceed 50%. As the voting rights enjoyed by the shares held by them are not sufficient to make a material impact to resolutions approved on general meetings, no controlling shareholder of the Bank existed. The Bank does not have any person who can actually control the Bank through investment relations, agreements or other arrangements, although not being a shareholder of the Bank, so no actual controller existed.

(IV) Particulars of Major Shareholders

1. Major shareholders holding more than 5% of the shares

As of the end of the Reporting Period, Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司), Chongqing City Construction Investment (Group) Company Co., Ltd. (重慶市城市建設投資(集團)有限公司), Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) and Loncin Holding Co., Ltd. (隆鑫控股有限公司) held 988,000,000 shares, 797,087,430 shares, 589,084,181 shares and 570,000,000 shares of the Bank, respectively, representing 8.70%, 7.02%, 5.19% and 5.02% of total share capital of the Bank respectively, and are major shareholders of the Bank. Except for the aforesaid shareholders, there were no other legal person shareholders of the Bank holding 5% or more of total share capital of the Bank, nor were there any other employees or natural persons other than employees holding 5% or more of shares of the Bank.

- (1) Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司) (formerly known as “Chongqing Yufu Assets Management Company Limited” (重慶渝富資產經營管理集團有限公司)), which was established on 27 February 2004, currently has a registered capital of RMB10 billion. It is a state-owned assets operation company organised under the approval of Chongqing Municipal Government and is under supervision of Chongqing SASAC as a municipal state-owned key enterprise.

Changes in Shares and Particulars of Shareholders

- (2) Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司), which was established in February 1993, currently has a registered capital of RMB20 billion. It is a solely state-owned enterprise with its business covering city infrastructure constructions as its major business, and real estates, financial equity, intelligent traffic, health & pension, exhibition economy, general aviation and other industries, positioning itself as a “general contractor, general construction agent and general operator” of major infrastructure projects.
- (3) Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司) (formerly known as “Chongqing Transport and Travel Investment Group Company Limited” (重慶交通旅遊投資集團有限公司)), which was established on 6 December 2002, currently has a registered capital of RMB5.287 billion. It is a large solely state-owned enterprise established with the fund from Chongqing Municipal Government and is engaged in the construction of secondary roads in Chongqing and the development and management of tourism resources in Chongqing. In 2019, its 100% equity is transferred to Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司) and is directly managed by the Municipal Finance Bureau. It clearly defined its strategic position as a company specializing in assets operation and management.
- (4) Loncin Holding Co., Ltd. (隆鑫控股有限公司) was established on 22 January 2003 and currently has a registered capital of RMB1 billion.

2. Other major shareholders under regulations

As at the end of the Reporting Period, Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司) and Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) may appoint Directors and supervisors of the Bank, and hold 188,000,000 shares and 150,549,000 shares of the Bank, respectively, representing 1.66% and 1.33% of total share capital of the Bank respectively, and are also substantial shareholders of the Bank.

- (1) Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司) (formerly known as “Xiamen Laierfu Trading Co., Ltd.” (廈門來爾富貿易有限公司)) was established in May 2001 with a current registered capital of RMB0.1 billion, and is engaged in non-securities equity investment and advising on equity investment.

Changes in Shares and Particulars of Shareholders

- (2) Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) was established on 25 November 1987 with a registered capital of RMB3,890,382,974. It is an A-share listed company. Its business segments include: culture-commerce projects and smart retail, jewellery and fashion, cultural catering, food and beverage, Chinese fashion watches, beauty and health, and real estates with composite functions.

Name of shareholder	Controlling shareholder	Actual controller	Parties acting in concert	Ultimate beneficiary
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	Chongqing Yufu Holding Group Co., Ltd. (重慶渝富控股集團有限公司)	Chongqing SASAC	Nil	Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Chongqing SASAC	Chongqing SASAC	Nil	Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Chongqing Development Investment Co., Ltd. (重慶發展投資有限公司)	The Finance Bureau of Chongqing City	Nil	Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	Loncin Group Co., Ltd. (隆鑫集團有限公司)	Tu Jianhua	Nil	Loncin Holdings Co., Ltd. (隆鑫控股有限公司)
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Xiamen Sifang Jiasheng Trade Co., Ltd. (廈門四方嘉盛貿易有限公司)	Zhou Yongwei, Zhou Shaoxiong and Zhou Shaoming	Nil	Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)	Shanghai Fosun High Technology (Group) Co., Ltd. (上海複星高科技(集團)有限公司)	Guo Guangchang	Nil	Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司)

Notes:

- (1) As at the end of the Reporting Period, there were no substantial shareholders holding 10% or more of the shares (as defined under the Hong Kong Stock Exchange Listing Rules) of the Bank.
- (2) For definitions of controlling shareholders, actual controllers, persons acting in concert and ultimate beneficiary of major shareholders of the Bank, please refer to the relevant requirements under Provisional Regulation Governing Equity Interest of Commercial Banks by the CBIRC.

Changes in Shares and Particulars of Shareholders

(5) Substantial Interests and Short Positions

A Shares

Unit: share

Name of shareholder	Capacity	Number of shares held	% of the A shares (%)	% of the total share capital of the Bank (%)
Chongqing Yufu Capital Operation Group Company Limited (重慶渝富資本運營集團有限公司)	Beneficial Owner	988,000,000	11.17	8.70
Chongqing City Construction Investment (Group) Company Limited (重慶市城市建設投資(集團)有限公司)	Beneficial Owner	797,087,430	9.01	7.02
Chongqing Development and Real Estate Management Company Limited (重慶發展置業管理有限公司)	Beneficial Owner	589,084,181	6.66	5.19
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	Beneficial Owner	570,000,000	6.45	5.02
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	Beneficial Owner	188,000,000	2.13	1.66

H Shares

Unit: share

Name of shareholder	Capacity	Number of shares held ⁽³⁾	% of the H shares (%)	% of the total share capital of the Bank (%)
BlackRock Global Funds	Beneficial Owner	132,885,000 (L)	5.29	1.17
Guo Guangchang ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun International Holdings Ltd. ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun Holdings Limited ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Fosun International Limited ⁽¹⁾⁽²⁾	Interest of controlled corporations	340,719,000 (L)	13.56	3.00
Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) ⁽²⁾	Beneficial Owner	150,549,000 (L)	5.99	1.33

Changes in Shares and Particulars of Shareholders

Notes:

- (1) Guo Guangchang holds 85.29% equity interests in Fosun International Holdings Ltd. Fosun International Holdings Ltd. holds 100% equity interests in Fosun Holdings Limited. Fosun Holdings Limited holds 71.05% equity interests in Fosun International Limited. Therefore, Guo Guangchang, Fosun International Holdings Ltd. and Fosun Holdings Limited are all deemed to be interested in the shares of the Bank held by Fosun International Limited and various corporations controlled by it. Guo Guangchang holds jointly a long position in 340,719,000 H shares of the Bank through Fosun International Limited and other corporations controlled by it.
- (2) According to Notice of Disclosure of Substantial Shareholders' Interests filed by Guo Guangchang, Fosun International Holdings Ltd. and Fosun International Limited on 13 October 2020, the long position of 340,719,000 H shares of the Bank that they are deemed to hold, compose of a long position of 150,549,000 H shares of the Bank directly held by Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司). Fosun International Limited holds 100% equity interests in Shanghai Fosun High Technology (Group) Co., Ltd. and Shanghai Fosun High Technology (Group) Co., Ltd. directly and indirectly (through its subsidiary) holds 68.59% equity interests in Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司) in total, therefore, Guo Guangchang, Fosun International Holdings Ltd., Fosun Holdings Limited and Fosun International Limited are all deemed to be interested in a long position in 150,549,000 H shares of the Bank held by Shanghai Yuyuan Tourist Mart (Group) Co., Ltd. (上海豫園旅遊商城(集團)股份有限公司).
- (3) (L) – Long position.

Report of the Board of Directors

The Board of Directors is pleased to present its report together with the audited financial statements of the Group for the year ended 31 December 2021.

I. Principal Activities

The Group is principally engaged in a range of banking services and related financial services in mainland China.

II. Annual General Meeting and Closure of Register of Transfer of H Shares

The annual general meeting of the Bank for the year 2021 will be held on Thursday, 26 May 2022. In order to determine the holders of shares who are eligible to attend and vote at the annual general meeting, the register of transfers of H shares of the Bank will be closed from Tuesday, 26 April 2022 to Thursday, 26 May 2022, both days inclusive. For holders of H shares of the Bank who wish to attend and vote at the annual general meeting for 2021, all transfer documents and the relevant share certificates must be lodged with the Bank's H Share Registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 25 April 2022.

III. Financial Information

(1) Summary of Financial Information

Please refer to the section headed "Chapter 2 Financial Summary" of this report for the summary of the operating results, assets and liabilities of the Group for the latest five years.

(2) Reserves

Please refer to the section headed "Consolidated Statement of Changes in Equity" of this report for details of the movements in the reserves available for distribution to shareholders of the Group during the Reporting Period.

(3) Donations

During the Reporting Period, the Bank made charitable and other donations amounting to approximately RMB6.30 million. In March, the Bank donated RMB1.5 million to Chongqing Veterans Care Fund to help needy veterans and their families. In December, the Bank donated RMB4.8 million to Huatian Township, Youyang County, Chongqing to help consolidate and expand the achievements of poverty alleviation and comprehensively promote rural revitalization.

(4) Property and Equipment

Please refer to the section of “Notes to the Consolidated Financial Statement: 23. Property and equipment” of this report for details of movements in the property and equipment of the Group during the Reporting Period.

(5) Retirement Benefits

Please refer to “Notes to the Consolidated Financial Statement: 33. Accrued Staff Costs” of this report for details of the retirement benefits provided to employees of the Group.

(6) Ultimate Parent Company and Subsidiaries

As of the end of the Reporting Period, the Bank did not have any ultimate parent companies. For details of the subsidiaries, please refer to the “Notes to the Consolidated Financial Statements: 22. Investments in Subsidiaries, Associates and Structured Entities” of this report.

IV. Shares and Shareholders

(1) Purchase, Sale and Redemption of Securities of the Bank

In December 2016, the Bank issued tier-2 capital bonds of RMB4 billion in the China’s national interbank bond market. The tier-2 capital bonds are subject to the redemption option of the issuer. Pursuant to which, the Bank redeemed the tier-2 capital bonds on 9 December 2021. For details of bonds redemption, please refer to the announcement dated 9 November 2021 published by the Bank on China Bond Information Website (中國債券信息網).

Neither the Bank nor its subsidiaries had purchased, sold or redeemed any shares of the Bank during the Reporting Period.

(2) Pre-emptive Rights

Neither the Articles of Association of the Bank nor the relevant PRC laws have such provisions under which the Bank’s shareholders have pre-emptive rights. In accordance with the provisions of the Articles of Association of the Bank, the Bank may increase its capital in the following ways: issue new shares to non-specified investors, place or allot new shares to existing shareholders, issue new shares to targeted investors, convert new shares from capital reserve, or through other means as permitted by laws or administrative regulations.

(3) Equity-linked Agreement

As of the end of the Reporting Period, the Bank has not entered into any equity-linked agreement.

(4) Sufficiency of Public Float

During the Reporting Period, the share capital of the Bank remained unchanged. As of the end of the Reporting Period, the total share capital of ordinary shares of the Bank was 11,357,000,000 shares (including 8,843,663,959 A shares and 2,513,336,041 H shares). Based on information that is publicly available to the Bank and to the knowledge of the directors, the Bank has maintained sufficient public float as required by the Hong Kong Stock Exchange as at the end of the Reporting Period.

(5) Particulars of Shareholdings of the Top Ten Shareholders and Major Shareholders

For the details of shareholdings of the top ten shareholders and major shareholders of the Bank as of the end of the Reporting Period, please refer to the section headed “Chapter 7 Changes in Shares and Particulars of Shareholders” of this Report.

V. Directors, Supervisors and Senior Management

(1) Information on Directors, Supervisors and Senior Management

For details of directors, supervisors and senior management of the Bank, please refer to the section of “Chapter 4 Corporate Governance Report – IV. Information on Directors, Supervisors and Senior Management” of this report.

(2) Directors’, Supervisors’ and the Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures of the Bank

As of 31 December 2021, the interests of the directors, supervisors and the chief executive of the Bank and their associates in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance of Hong Kong or as otherwise notified to the Bank and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Hong Kong Listing Rules were as follows:

Report of the Board of Directors

<i>Unit: share</i>					
Name	Position	Capacity	Number of A shares held	% of the A shares (%)	% of the total share capital (%)
Liu Jianzhong	Secretary to the Party Committee, Chairman and Executive Director	Beneficial Owner	34,500	0.00039	0.00030
Xie Wenhui	Deputy Secretary to the Party Committee, President, Executive Director	Beneficial Owner	34,500	0.00039	0.00030
Zhang Peizong	Member of the Party Committee, Vice President, Executive Director, Secretary to the Board	Beneficial Owner	28,300	0.00032	0.00025
Zhang Peng	Non-executive Director	Beneficial Owner	3,800	0.00004	0.00003
Yang Xiaotao	Member of the Party Committee, Head of Supervisor	Beneficial Owner	25,700	0.00029	0.00023

Other than as disclosed above, none of the directors, supervisors or the chief executive of the Bank or their associates had any interests or short positions in any shares, underlying shares or debentures of the Bank or any of its associated corporations as of 31 December 2021.

(3) Directors', Supervisors' and Senior Management's Financial, Business and Family Relationships

There are no relationships among the directors, supervisors and senior management of the Bank, including financial, business, family or other material relationships.

(4) Arrangements to Purchase Shares or Debentures

During the Reporting Period, neither the Bank nor its holding company, or any of its subsidiaries or fellow subsidiaries entered into any arrangements to enable the directors and supervisors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

(5) Directors' and Supervisors' Interests in Material Transactions, Arrangements and Contracts

Save for those continuing connected transactions which can be exempted from the reporting, annual review, announcement and independent shareholder's approval requirements under Chapter 14A of the Hong Kong Listing Rules, no director, supervisor or entity which is related to such persons of the Bank had a material interest, whether directly or indirectly, in material transactions, arrangements and contracts in relation to the Group's businesses to which the Bank, its holding company, any of its subsidiaries or fellow subsidiaries was a party at any time during the year (excluding service contracts).

(6) Directors' and Supervisors' Service Contracts

None of the directors and supervisors of the Bank entered into service contracts with the Bank that cannot be terminated by the Bank or any of its subsidiaries within one year without payment of compensation (other than statutory compensation).

(7) Permitted Indemnity Provision

There is no permitted indemnity provision was or is in effect which benefit for the directors of the Bank (whether entered into by the Bank or otherwise) or any director of the associates of the Bank (if it is entered into by the Bank) at any time during the financial year and up to the date of the report of the Board of Directors of the Bank.

(8) Directors' and Supervisors' Interests in Competing Businesses

None of the directors and supervisors of the Bank had any interests in businesses that compete or may compete, directly or indirectly, with the business of the Bank.

(9) Remuneration Policy for the Directors, Supervisors and Senior Management

For details of the remuneration policy for directors, supervisors and senior management of the Bank, please refer to the section of "Chapter 4 Corporate Governance Report – IV. Information on Directors, Supervisors and Senior Management – (III) Remuneration of Directors, Supervisors and Senior Management in 2021" of this report.

VI. Major Customer

During the Reporting Period, aggregate amount of interest income and other operating income from the top five customers of the Bank was less than 30% of the total amount of interest income and other operating income of the Group.

VII. Management Contracts

As of the end of the Reporting Period, there was no management and administrative contract in respect of all or any of the principal activities of the Bank being entered into by or existed in the Bank.

VIII. Corporate Governance

The Bank is committed to maintaining a high level of corporate governance. For details of the manner in which the principles and code provisions in the CG Code are applied and implemented by the Bank, please refer to the section of “Chapter 4 Corporate Governance Report” of this report.

IX. Connected Transactions

Transactions between the Bank and the Bank’s connected persons (as defined under the Hong Kong Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Hong Kong Listing Rules. However, the relevant connected transactions can be exempted from the reporting, annual review, announcement and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Bank has reviewed all its connected transactions and acknowledged that it had complied with the disclosure requirements under Chapter 14A of the Hong Kong Listing Rules.

The definition of connected persons under Chapter 14A of the Hong Kong Listing Rules is different from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures”, and its interpretations by the International Accounting Standards Board. The related party transactions set out in Notes to the Consolidated Financial Statements: 46 did not constitute connected transactions under Chapter 14A of the Hong Kong Listing Rules.

X. Tax

Shareholders of the Bank are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation, and shall seek professional advice from their tax and legal advisors on specific payment matters. The following cited laws, regulations and stipulations are all relevant provisions issued as of 31 December 2021.

A Share Holders

Natural person shareholders and securities investment funds

In accordance with the provisions of the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2012] No. 85) (《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2012]85號)) and the Notice on Issues concerning the Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (Cai Shui [2015] No. 101) (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》(財稅[2015]101號)) issued jointly by MOF, State Administration of Taxation and CSRC, for shares of listed companies obtained by individuals from public offerings and the transfer market, where the holding period is less than 1 month (inclusive), the dividends and bonuses shall be counted as taxable income in the full amount; where the holding period is more than 1 month and less than 1 year (inclusive), 50% of the dividends and bonuses shall be counted as taxable income on a provisional basis; and where the holding period exceeds 1 year, the dividends and bonuses shall be exempted from individual income tax on a provisional basis. Individual income taxes on the aforesaid incomes shall be levied at the uniform rate of 20%. Individual income taxes levied on dividends and bonuses obtained by securities investment funds from listed companies are also calculated in accordance with the afore-mentioned rules. The individual shareholders of restricted shares shall calculate and levy individual income tax at the applicable tax rate of 20% after deducting 50% of the dividend income obtained before the lifting of the ban on shares, and implement differential tax policies on the dividend income obtained after the lifting of the ban on shares according to the shareholding time, which shall start from the lifting of the ban.

Shareholders of resident enterprises

In accordance with the provisions of Article 26(2) of the Enterprise Income Tax Law (《企業所得稅法》), dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises are tax-exempt income. In accordance with Article 83 of the Regulation on the Implementation of the Enterprise Income Tax Law (《企業所得稅法實施條例》), dividends, bonuses and other equity investment proceeds distributed between qualified resident enterprises referred to in Article 26(2) of the Enterprise Income Tax Law mean those investment proceeds obtained from direct investment of resident enterprises into other resident enterprises. Dividends, bonuses and other equity investment proceeds referred to in Article 26(2) of the Enterprise Income Tax Law exclude those investment proceeds obtained from publicly offered and tradable stocks of resident enterprises held for less than 12 months on a continuing basis.

QFII

In accordance with the provisions of the Notice of the State Administration of Taxation on Issues Concerning Withholding of Corporate Income Tax on the Dividends, Bonus and Interest paid by Chinese Resident Enterprises to QFII (Guo Shui Han [2009] No. 47), 10% of the enterprise income tax on the dividend income derived from the territory of China by QFII shall be paid in accordance with the provisions of the Enterprise Income Tax Law, and shall be withheld and paid by the enterprises that distribute dividends. Where QFII obtains dividend income and needs to enjoy the treatment under tax agreements (arrangements), it may file an application with the competent tax authority in accordance with the requirements of the Measures for the Administration of Non-resident Taxpayers Enjoying the Treatment under Agreements (SAT Announcement [2019] No.35).

Investors in Hong Kong Market

Pursuant to the Notice on Tax Policy Regarding Shanghai-Hong Kong Stock Connect Pilot Programs (Cai Shui [2014] No. 81) 《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC, for dividend incomes obtained by investors (including enterprises and individuals) in the Hong Kong market from investing in A shares listed on the Shanghai Stock Exchange, the implementation of differentiated taxation is suspended before the Hong Kong Securities Clearing Company Limited (“HKSCC”) meets the conditions of providing identification, term of shareholding and other specific data of investors to the CSDC; the income taxes thereof are withheld and paid by the listed company at the rate of 10%, which should be duly declared to the governing taxation authority. For Hong Kong investors who are tax residents of foreign countries that have entered into a tax treaty with the PRC specifying an income tax rate for dividend and bonus incomes below 10%, the enterprises or individuals may by themselves apply to the governing tax authority of the listed company to claim the preferential treatment as stipulated in such tax treaties.

H Share Holders

Non-resident Enterprise Shareholders

Pursuant to the Enterprise Income Tax Law of the People’s Republic of China and related implementation rules, relevant requirements of the “Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises” (Guo Shui Han [2008] No. 897), the “Notice of State Administration of Taxation on the List of Agreed Dividend Tax Rates” (Guo Shui Han [2008] No. 112) and relevant regulations, the Bank withholds the enterprise income tax at the rate of 10% for dividends paid to non-resident enterprise shareholders.

Non-resident Individual Shareholders

According to Guo Shui Han [2011] No. 348 documents issued by the State Administration of Taxation, the Bank is required to withhold individual income tax for non-resident individual holders of H Shares, who are entitled to relevant preferential tax arrangement pursuant to the taxation agreements between the countries where they are residing with China and the regulation on taxation arrangement between the Mainland and Hong Kong (Macau).

1. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a tax rate lower than 10%, the Bank temporarily withholds individual income tax at the rate of 10%. Where non-resident individual holders of H shares need to enjoy the treatment under tax agreements (arrangements), it may file an application with the competent tax authority in accordance with the requirements of the Measures for the Administration of Non-resident Taxpayers Enjoying the Treatment under Agreements (SAT Announcement [2019] No.35).
2. As for non-resident individual holders of H shares in countries and regions which have entered into an agreement with China in respect of a 10% tax rate, the Bank withholds individual income tax at the rate of 10%.
3. As for non-resident individual holders of H shares in countries which have entered into an agreement with China in respect of a tax rate between 10% and 20%, the Bank withholds individual income tax at the actual rate agreed thereunder.
4. As for non-resident individual holders of H shares in countries which have no tax agreement with China or are under any other circumstances, the Bank withholds individual income tax at the tax rate of 20%.

Investors of Southbound Trading

Individual shareholders in the Mainland of Southbound Trading

Shanghai-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81), for the distribution of final dividends to mainland individual shareholders who invest in the H shares of the Bank through Shanghai-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%. For the distribution of final dividends to shareholders of mainland securities investment funds investing in the H shares of the Bank through Shanghai-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%.

Shenzhen-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127), for the distribution of final dividends to mainland individual shareholders who invest in the H shares of the Bank through Shenzhen-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%. For the distribution of final dividends to shareholders of mainland securities investment funds investing in the H shares of the Bank through Shenzhen-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will withhold the payment of personal income tax at the rate of 20%.

Shareholders of mainland enterprises of Southbound Trading

Shanghai-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81), for the distribution of final dividends to mainland corporate shareholders investing in the H shares of the Bank through Shanghai-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder), the Bank will not withhold corporate income tax, and the tax payable shall be submitted and paid by the shareholders of the mainland enterprises themselves. Among them, dividends obtained by shareholders of mainland enterprises who hold H shares of the Bank for 12 consecutive months are exempt from corporate income tax.

Shenzhen-Hong Kong Stock Connect: Pursuant to the Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127), for the distribution of final dividends to mainland corporate shareholders investing in the H shares of the Bank through Shenzhen-Hong Kong Stock Connect (these H shares are registered in the name of HKSCC Nominees Limited and is held by China Securities Depository and Clearing Corporation Limited as the nominal holder) the Bank will not withhold corporate income tax, and the tax payable shall be submitted and paid by the shareholders of the mainland enterprises themselves. Among them, dividends obtained by shareholders of mainland enterprises who hold H shares of the Bank for 12 consecutive months are exempt from corporate income tax.

XI. Business Review

(1) Examining the Company's business and revealing the possible future development of the Company's business

The Group is mainly engaged in banking and related financial services in mainland China, and the discussion and analysis of business review are detailed in the section of "Chapter 3 Management Discussion and Analysis — III. Discussion and Analysis of Main Business Operations" of this report. The main risks of the Group and the possible future development plan for the Group's business are detailed in the section of "Chapter 3 Management Discussion and Analysis – V. Risk Management and VII. Prospects" of this report.

(2) Compliance with Laws and Regulations

The Board of Directors paid close attention to the policies and regulations in relation to relevant laws and regulations which the Group has to comply with. The Bank has employed legal advisers for mainland China and Hong Kong laws to ensure the transactions and businesses of the Group are carried out under the applicable laws. Relevant employees and operation units will be informed by update on applicable laws and regulations from time to time. Laws and Regulations are the basis and foundation for the legal and compliant operation of the Bank, and also the guidance for the Bank to conduct operating and management activities within the regulatory framework. According to the requirements and changes of laws and regulations, the Bank evaluates the effect on operation and management and make necessary adjustments to ensure healthy business development with legal compliance.

(3) Relations with Employees, Customers and Suppliers

The Bank placed utmost emphasis on the corporate culture construction, employee management and training, and is committed to build harmonious and stable employment relations. The Bank treasures employees as one of the most important and most valuable assets and has been always cherishing the employees' contribution and support. The Bank has made great efforts to provide comfortable and harmonious working environment, sound welfare and compensation system and reasonable career planning. By means of appropriate trainings and opportunities provided, the Bank has helped employees in career development and promotion.

The Bank has been always perfecting the financial services to the customers to win the clients' understanding, trust and support. The Bank insists on the market principle for all clients who apply for loans, especially the related clients, and avoids special credit aid priority.

The Bank attaches importance to the cooperation with suppliers, and adheres to the principle of fair competition when selecting suppliers. In view of the business nature of the Bank, the Bank did not have major suppliers.

(4) Environmental Protection Policy and Implementation of the Bank

For details of the Bank's compliance of laws and regulations that have a significant impact on environmental policies, please refer to the 2021 Corporate Social Responsibility Report of Chongqing Rural Commercial Bank Co., Ltd.

(5) Details of Major Events Subsequent to the End of Financial Year under Review with Significant Influence on the Company

The Bank conducted a comprehensive review on the financial performance of 2021 pursuant to the national laws and regulatory requirements and prepared annual report for the year of 2021. Save for the above, no major event or case having significant influence to the Bank has occurred after completion of annual financial review.

On behalf of the Board



LIU Jianzhong
Chairman
30 March 2022

Report of the Board of Supervisors

The Board of Supervisors of the Bank conscientiously fulfilled the responsibility assigned by the Articles of Association. The Board of Supervisors was in line with the principles that were conducive to the sustainable and steady development of the Bank's business, the reform and innovation of the Bank, and the protection of shareholders' rights and interests, so as to carry out work with emphasis on performance supervision, financial supervision, internal control and risk supervision, continuously improve the working methods and enhance the effectiveness of supervision, promoting the steady operation and healthy development of the Bank and effectively playing a role of supervision and balance in corporate governance.

I. Major Work

(1) Supervision on Meetings

During the Reporting Period, the Board of Supervisors of the Bank convened 14 meetings in total, at which 39 resolutions including the financial budget, profit distribution, and internal control evaluation report were considered and approved. The Board of Supervisors played its role as a special committee and convened 8 related meetings, at which the Audit Committee has 4 meetings, the Internal Control Review Committee has 2 meetings, the Performance Due Diligence Supervision Committee has 1 meeting, and the Nomination Committee has 1 meeting, and a total of 14 resolutions were considered. To ensure that the meetings were effective, before each meeting, the issues were submitted to the reviewers as required, opinions were fully discussed at the meetings and implementation of resolutions formed after the meetings. The Board of Supervisors attended 2 general meetings and 8 on-site conferences of the Board of Directors to supervise the meeting process and give supervisory opinions on related issues.

(2) Daily Supervision

In terms of the duty performance supervision, the Board of Supervisors continued to pay attention to the compliance of the Board of Directors, senior management and its members with the laws and regulations and the Articles of Association, strengthened the supervision of the implementation of the development strategies, and conducted remuneration post-strategy assessment. The Bank focused on the implementation of the Bank's strategy of "anchoring the Bank with retail, propelling the Bank with technology and empowering the Bank with talents", and whether the salary system is conducive to promoting the high-quality development of the Bank. In view of the shortcomings existing in the actual implementation and in combination with the current business development priorities, constructive suggestions were put forward from the perspective of the Board of Supervisors. The Board of Supervisor paid attention to the supervision of the performance of duties, and collected relevant information on corporate governance, operation and management, risk management and control, and internal supervision, and deepened the supervision of the performance of duties through measures such as attending Board meetings, accessing information, conducting performance evaluations.

In terms of financial supervision, the Board of Supervisors focused on supervising the Bank's important financial decisions, profit distribution plan and financial budget control, and strengthened the supervision of financial compliance and authenticity, and the effectiveness of financial resources allocation. The Board of Supervisors reviewed the annual report, interim report and quarterly report on a regular basis, focusing on the operating efficiency, the main financial revenue and expenditure, the development of deposit and loan business, and the trend of changes in asset quality. The Board of Supervisors paid attention to the communication with the external auditors, and regularly debriefed the auditing reports.

In terms of internal control and risk supervision, the Board of Supervisors continued to strengthen the effectiveness of internal control and supervision over the compliance with laws and regulations. The Board of Supervisors focused on the organizational structure of internal control, system construction and implementation, quality of internal control inspection, problem rectification and accountability, etc., listened to the Bank's internal control evaluation report, intensified the use of internal auditing results, seriously reviewed various internal audit reports, and continued tracking the implementation of the rectification of supervision and revelation of issues, so as to promote the improvement of such rectification.

(3) Concentrated Supervision

The Board of Supervisors focused on the implementation of national policies, laws and regulations and the "Three Important and One Major" system, main business indicators, strategic sustainable development capabilities, and internal control management and risk prevention, through measures such as on-site inspections, investigations on grassroots operation institutions, meetings with auditors, and reviews on relevant archives, so as to organize and implement its concentrated supervision and inspection. In general, the Board of Supervisors believes that the Bank strictly implements all national policies and laws and regulations, maintains prudent risk appetite, establishes a good sense of compliance management, and upholds the principle of strict governance. The Bank completed the annual plan relatively well in various operation indicators, and the internal control management and risk prevention level has been improved continuously.

(4) Special Inspection

The Board of Supervisors actively carried out special inspection work in accordance with the Bank's operating practices and fully performed its supervisory responsibilities. The Board of Supervisors carried out the inspection through consulting materials, department interviews and other means, and verify the rectification and implementation of the problems identified in the inspection. Judging from the verification, the Board of Directors and the management attach great importance to the rectification of the problems disclosed by the Board of Supervisors, urge relevant responsible departments to formulate effective rectification measures in terms of system process and system construction for the problems revealed in the special inspection, clarify the time limit for rectification and timely follow up the progress of rectification. Overall, the Board of Supervisors has formulated a detailed inspection plan, clarified their respective responsibilities and promoted the improvement of the Bank's comprehensive management level through special inspection.

(5) Self-establishment of the Board of Supervisors

Continuous efforts have been made to strengthen the construction of the Board of Supervisors in terms of system, personnel and knowledge. The Board of Supervisors improved its supervision groundwork to improve operational efficiency, through regularly collecting and analyzing the key operational data, financial indicators and asset quality data of the Bank as reference for the Board of Supervisors in making comments. For problems in relation to system construction and implementation, effectiveness of internal control, risk prevention and financial compliance, the Board of Supervisors refined its supervision mechanism for rectifications by establishing rectification ledger from the perspective of the Board of Supervisors to conduct targeted interviews and track the progress of rectification regularly. It will conduct comprehensive evaluation on the rectification progress for the whole year to promote the effective use of supervision results.

II. Independent Opinions on Relevant Matters of the Bank

(1) Operations in Compliance with Laws and Regulations

During the Reporting Period, the Bank had been operating in compliance with relevant laws and regulations. Its decision-making procedures complied with the provisions of laws, regulations and the Articles of Association. The directors and senior management were faithful and honest, and diligent in carrying out their duties. They were not found to have contravened any laws, regulations or the Articles of Association; neither did they commit any acts detrimental to the interests of the Bank.

(2) Financial Reporting

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have audited the financial report for the year 2021 of the bank prepared in accordance with the Chinese Accounting Standards Principles and the International Financial Reporting Standards respectively, and has issued unqualified audit report respectively. The Board of Supervisors considered the financial report of the Bank for 2021 gave a true, objective and accurate view of the financial position and operating results of the Bank.

(3) Acquisition and Disposal of Assets

During the Reporting Period, the Board of Supervisors was not aware of any insider transactions or any acts in acquisition or disposal of assets that were detrimental to the interests of the shareholders or leading to a loss on the Bank's assets.

(4) Related Party Transactions

During the Reporting Period, the Bank's related party transactions had been conducted in accordance with relevant regulations and systems and the Board of Supervisors was not aware of any actions in the transactions that were detrimental to the interests of the Bank.

Report of the Board of Supervisors

(5) Internal Control

The Board of Supervisors has reviewed the 2021 Annual Internal Control Evaluation Report of Chongqing Rural Commercial Bank Co., Ltd. and was not aware of any significant defect in the Bank's internal control system and its implementation.

(6) Performance of Social Responsibility

During the Reporting Period, the Bank vigorously performed social responsibilities. The Board of Supervisors has no disagreement with the 2021 Report on Corporate Social Responsibilities of Chongqing Rural Commercial Bank Co., Ltd.



The Board of Supervisors of Chongqing Rural Commercial Bank Co., Ltd.
30 March 2022

Independent Auditor's Report

To the Shareholders of Chongqing Rural Commercial Bank Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of Chongqing Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 212 to 360, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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

Independent Auditor's Report (Continued)

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

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

Key audit matters identified in our audit are summarised as follows:

- Measurement of expected credit losses for loans and advances to customers
- Consolidation of structured entities – Non-principal Guaranteed Wealth Management Products

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses for loans and advances to customers</p> <p><i>Refer to Note 3.9(d), Note 4.1, Note 11 and Note 20 to the Consolidated Financial Statements.</i></p> <p>As at 31 December 2021, the Group's gross loans and advances to customers amounted to RMB582,166 million, and a loss allowance of RMB24,839 million was recognised in the Group's consolidated statement of financial position. The credit impairment losses on loans and advances to customers recognised in the Group's consolidated income statement for the year ended 31 December 2021 amounted to RMB11,051 million.</p> <p>The balances of loss allowance for loans and advances to customers represent the management's best estimates at the balance sheet date of expected credit losses ("ECL") under the expected credit loss models as stipulated in International Financial Reporting Standard No. 9: Financial Instruments.</p>	<p>We evaluated and tested the design and operational effectiveness of the internal controls relating to the measurement of expected credit losses for loans and advances to customers, primarily including:</p> <ul style="list-style-type: none"> – Controls over the selection, approval and application of the ECL modelling methodology; and controls relating to the ongoing monitoring and improving of the models; – Internal controls relating to significant management judgements and assumptions, including the review and approval of portfolio segmentation, model selections, parameters estimation, defining significant increase in credit risk, or of defaults or credit-impaired, and selecting forward-looking economic indicators; – Internal controls over the accuracy and completeness of key inputs used by the models. <p>The substantive procedures we performed, primarily including:</p> <ul style="list-style-type: none"> – We reviewed the modelling methodologies for ECL measurement, and assessed the reasonableness of the portfolio segmentation, models selection, key parameters estimation, significant judgements and assumptions in relation to the models. We examined the coding for model measurement on a sample basis, to test whether or not the measurement models reflect the modelling methodologies documented by management.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses for loans and advances to customers <i>(continued)</i></p> <p>The Group assesses whether the credit risk of loans and advances to customers have increased significantly since their initial recognition, and apply a three-stage model to calculate their ECL. Management assesses loss allowance using the risk parameter modelling approach that incorporates key parameters, including probability of default, loss given default, exposure at default and discount rates. For corporate loans and advances in stage 3, management assessed ECL by estimating the future cash flows from the loans.</p> <p>The measurement models ECL involves significant management judgements and assumptions, primarily including the following:</p> <ul style="list-style-type: none"> - Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters; - Criteria for determining whether or not there was a significant increase in credit risk, or a default or impairment loss was incurred; 	<ul style="list-style-type: none"> - We selected samples, including the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of management's identification of significant increase in credit risk, defaults and credit-impaired loans. - For forward-looking measurement, we reviewed management's model analysis of their selection of economic indicators; economic scenarios and weightings employed, assessed the reasonableness of the prediction of economic indicators and performed sensitivity analysis of economic indicators, economic scenarios and weightings. - We assessed the reasonableness of the selection of significant uncertain factors, its application and measurement in the management overlay adjustments, and examined the accuracy of the relevant mathematical calculations.

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Measurement of expected credit losses for loans and advances to customers <i>(continued)</i></p> <ul style="list-style-type: none"> – Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; – Management overlay adjustments due to significant uncertain factors not covered in the models; – Estimation of future cash flow for corporate loans and advances in stage 3. 	<ul style="list-style-type: none"> – We examined major data inputs to the ECL models on selected samples, including historical data and data on measurement date, to assess their accuracy and completeness. We also performed reconciliation of the major data being used to the information systems, to verify their accuracy and completeness. – For corporate loans and advances in stage 3 which are considered individually significant, we examined, on a sample basis, forecasted future cash flows prepared by the Group based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of loss allowance.
<p>For measuring ECL, the Group adopted complex models, employed numerous parameters and data inputs, and applied significant management judgements and assumptions. In addition, the loans and advances to customers and the loss allowance are significant. In view of these reasons, we identified this as a key audit matter.</p>	<p>Based on our procedures performed, the models, key parameters, significant judgement and assumptions adopted by management and the measurement results were considered acceptable.</p>

Independent Auditor's Report (Continued)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Consolidation of Structured Entities – Non-principal Guaranteed Wealth Management Products</p> <p><i>Refer to Note 3.1, Note 4.2 and Note 47 to the Consolidated Financial Statements.</i></p> <p>As at 31 December 2021, unconsolidated structured entities included non-principal guaranteed wealth management products (“WMPs”) issued and managed by the Group, which amounted to RMB120,319 million.</p> <p>Management’s decision on whether or not to consolidate structured entities was based on an assessment of the Group’s power, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities.</p> <p>We considered the consolidation assessment and judgment made by management involving the structured entities for non-principal guaranteed WMPs should be an area of focus, as whether or not to consolidate these entities involved significant judgment.</p>	<p>Our procedures in relation to management’s assessment on consolidation of structured entities which is non-principal WMPs included:</p> <ul style="list-style-type: none"> – Understood, evaluated and tested management control process adopted on the assessment and disclosure of the consolidation of structured entities; – Read the contract terms in light of the transaction structures and evaluated the Group’s power over the structured entities; – Performed independent analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; – Assessed whether the Group acted as a principal or an agent through analysis of the scope of the Group’s decision-making authority, its remuneration entitlement, other interests the Group held, and the rights held by other parties. <p>Based on our procedures performed, we found management’s assessments in relation to the consolidation of structured entities to be acceptable.</p>

Independent Auditor's Report (Continued)

Other Information

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

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

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

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

Responsibilities of Directors and Audit Committee for the Consolidated Financial Statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Leung Kwok Wai, Jimmy.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2022

Consolidated Income Statement

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	2021	2020
Interest income	5	51,749,103	45,858,981
Interest expense	5	(25,514,303)	(21,610,111)
Net interest income		<u>26,234,800</u>	<u>24,248,870</u>
Fee and commission income	6	2,901,992	3,010,623
Fee and commission expense	6	(177,789)	(107,759)
Net fee and commission income		<u>2,724,203</u>	<u>2,902,864</u>
Net trading gains	7	1,239,062	767,456
Share of profits of associates		1,104	328
Other operating income, net	8	526,326	224,831
Net gains on disposal of financial assets measured at fair value through other comprehensive income		119,177	36,555
Net gains on disposal of financial assets measured at amortised cost		<u>5,005</u>	<u>1,002</u>
Operating income		<u>30,849,677</u>	<u>28,181,906</u>
Operating expenses	9	(8,795,697)	(7,909,433)
Credit impairment losses	11	(10,852,136)	(10,208,593)
Impairment losses on other assets		<u>(1,209)</u>	<u>(1,087)</u>
Profit before tax		11,200,635	10,062,793
Income tax expense	12	<u>(1,482,281)</u>	<u>(1,498,020)</u>
Profit for the year		<u><u>9,718,354</u></u>	<u><u>8,564,773</u></u>
Attributable to:			
Shareholders of the Bank		9,559,709	8,401,197
Non-controlling interests		<u>158,645</u>	<u>163,576</u>
		<u><u>9,718,354</u></u>	<u><u>8,564,773</u></u>
Earnings per share (Expressed in RMB Yuan per share)			
– Basic and Diluted	13	<u><u>0.84</u></u>	<u><u>0.74</u></u>

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	2021	2020
Profit for the year	9,718,354	8,564,773
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Changes in remeasurement of defined benefit plans	(372,794)	67,544
Changes in fair value of equity instruments measured at fair value through other comprehensive income	<u>168,278</u>	<u>(80,902)</u>
	<u>(204,516)</u>	<u>(13,358)</u>
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of debt instruments measured at fair value through other comprehensive income	450,208	(219,063)
Credit impairment losses of debt instruments measured at fair value through other comprehensive income	<u>1,473</u>	<u>(11,435)</u>
	<u>451,681</u>	<u>(230,498)</u>
Other comprehensive income for the year, net of tax	<u>247,165</u>	<u>(243,856)</u>
Total comprehensive income for the year	<u><u>9,965,519</u></u>	<u><u>8,320,917</u></u>
Total comprehensive income attributable to:		
Shareholders of the Bank	9,806,961	8,157,341
Non-controlling interests	<u>158,558</u>	<u>163,576</u>
Total comprehensive income for the year	<u><u>9,965,519</u></u>	<u><u>8,320,917</u></u>

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

Consolidated Statement of Financial Position

As at 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	31 December 2021	31 December 2020
ASSETS			
Cash and balances with central bank	15	61,349,640	65,368,923
Deposits with banks and other financial institutions	16	17,017,386	27,771,457
Placements with banks and other financial institutions	17	91,072,510	109,615,104
Derivative financial assets	18	32,221	58,492
Financial assets held under resale agreements	19	980,305	1,303,008
Loans and advances to customers	20	557,334,996	486,963,403
Financial investments	21		
Financial assets measured at fair value through profit or loss		48,347,564	30,164,463
Financial assets measured at fair value through other comprehensive income		48,833,463	16,625,544
Financial assets measured at amortised cost		424,417,885	383,164,489
Investment in associates	22	451,432	450,328
Property and equipment	23	4,956,161	4,920,318
Right-of-use assets	24	158,897	167,924
Goodwill	25	440,129	440,129
Deferred tax assets	35	9,187,354	7,538,644
Other assets	27	1,711,256	1,814,346
Total assets		1,266,291,199	1,136,366,572
LIABILITIES			
Borrowings from central bank	28	80,539,791	62,313,807
Deposits from banks and other financial institutions	29	29,302,115	35,439,301
Placements from banks and other financial institutions	30	34,094,542	26,699,999
Derivative financial liabilities	18	12,447	81,746
Financial assets sold under repurchase agreements	31	19,088,452	6,373,200
Deposits from customers	32	759,360,236	724,999,814
Accrued staff costs	33	5,170,916	4,558,014
Income tax payable		348,818	1,018,622
Lease liabilities		138,487	148,955
Debt securities issued	34	225,254,410	173,178,209
Other liabilities	36	6,496,841	6,482,695
Total liabilities		1,159,807,055	1,041,294,362

Consolidated Statement of Financial Position (Continued)

As at 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	31 December 2021	31 December 2020
EQUITY			
Share capital	37	11,357,000	11,357,000
Other equity instruments	38	3,998,338	–
Capital reserve	39	20,924,618	20,924,618
Investment revaluation reserve	40	195,760	(417,958)
Actuarial changes reserve		(641,232)	(268,525)
Surplus reserve	41	12,930,678	12,069,842
General reserve	42	15,881,397	14,056,058
Retained earnings		<u>40,306,220</u>	<u>35,947,699</u>
Equity attributable to shareholders of the Bank		104,952,779	93,668,734
Non-controlling interests		<u>1,531,365</u>	<u>1,403,476</u>
Total equity		<u>106,484,144</u>	<u>95,072,210</u>
Total equity and liabilities		<u><u>1,266,291,199</u></u>	<u><u>1,136,366,572</u></u>

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

Approved and authorised for issue by the Board of Directors on 30 March 2022.

LIU JIANZHONG

CHAIRMAN

XIE WENHUI

EXECUTIVE DIRECTOR AND PRESIDENT

Consolidated Statement of Changes In Equity

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	Attributable to shareholders of the Bank								Non-controlling interests	Total		
	NOTE	Share capital	Other equity instruments	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve			Retained earnings	Subtotal
As at 31 December 2020		11,357,000	-	20,924,618	(417,958)	(268,525)	12,069,842	14,056,058	35,947,699	93,668,734	1,403,476	95,072,210
Profit for the year		-	-	-	-	-	-	-	9,559,709	9,559,709	158,645	9,718,354
Other comprehensive income		-	-	-	619,959	(372,707)	-	-	-	247,252	(87)	247,165
Total comprehensive income for the year		-	-	-	619,959	(372,707)	-	-	9,559,709	9,806,961	158,558	9,965,519
Capital contribution from other equity instrument holders		-	3,998,338	-	-	-	-	-	-	3,998,338	-	3,998,338
Appropriation to surplus reserve	41	-	-	-	-	-	860,836	-	(860,836)	-	-	-
Appropriation to general reserve	42	-	-	-	-	-	-	1,825,339	(1,825,339)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	-	(2,521,254)	(2,521,254)	(30,669)	(2,551,923)
Transfer from investment revaluation reserve to retained earnings		-	-	-	(6,241)	-	-	-	6,241	-	-	-
As at 31 December 2021		11,357,000	3,998,338	20,924,618	195,760	(641,232)	12,930,678	15,881,397	40,306,220	104,952,779	1,531,365	106,484,144

Consolidated Statement of Changes In Equity (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	Attributable to shareholders of the Bank							Non-controlling interests	Total	
		Share capital	Capital reserve	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings			Subtotal
As at 31 December 2019		11,357,000	21,014,618	(106,558)	(336,069)	11,283,588	12,635,296	32,365,628	88,213,503	1,588,824	89,802,327
Profit for the year		-	-	-	-	-	-	8,401,197	8,401,197	163,576	8,564,773
Other comprehensive income		-	-	(311,400)	67,544	-	-	-	(243,856)	-	(243,856)
Total comprehensive income for the year		-	-	(311,400)	67,544	-	-	8,401,197	8,157,341	163,576	8,320,917
Transactions with non-controlling interests		-	(90,000)	-	-	-	-	-	(90,000)	(300,000)	(390,000)
Appropriation to surplus reserve	41	-	-	-	-	786,254	-	(786,254)	-	-	-
Appropriation to general reserve	42	-	-	-	-	-	1,420,762	(1,420,762)	-	-	-
Dividend distribution	14	-	-	-	-	-	-	(2,612,110)	(2,612,110)	(48,924)	(2,661,034)
As at 31 December 2020		<u>11,357,000</u>	<u>20,924,618</u>	<u>(417,958)</u>	<u>(268,525)</u>	<u>12,069,842</u>	<u>14,056,058</u>	<u>35,947,699</u>	<u>93,668,734</u>	<u>1,403,476</u>	<u>95,072,210</u>

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	2021	2020
Cash flows from operating activities			
Profit before tax		11,200,635	10,062,793
Adjustments for:			
Depreciation and amortisation		850,889	849,703
Credit impairment losses		10,852,136	10,208,593
Impairment losses on other assets		1,209	1,087
Interest income arising from investment securities		(16,886,635)	(15,054,438)
Interest expense arising from debt securities issued		6,079,005	4,390,412
Net gain on disposal of investment securities		(1,110,535)	(924,811)
Share of result of associates		(1,104)	(328)
Dividends income from investment securities		(21,624)	(4,261)
Net gain on disposal of property, equipment and other assets		(55,109)	(96,336)
Fair value gain/(loss)		(235,265)	119,499
Exchange gain/(loss)		(9,680)	34,991
Operating cash flows before movements in working capital		<u>10,663,922</u>	<u>9,586,904</u>
(Increase)/Decrease in balances with central bank, deposits with banks and other financial institutions		18,091,601	(849,150)
Decrease in placements with banks and other financial institutions		31,938,759	18,024,506
Increase in financial assets held under resale agreements		(578,206)	–
Increase in financial assets held for trading purposes		(903,725)	(1,135,806)
Increase in loans and advances to customers		(81,091,565)	(79,903,872)
(Decrease)/Increase in financial assets sold under repurchase agreements		12,694,392	(8,722,336)
Increase in borrowings from central bank		18,153,576	31,067,674
Increase in placements from banks and other financial institutions		7,387,709	624,106
Increase in deposits from customers, deposits from banks and other financial institutions		27,249,811	74,862,031
Decrease in other operating assets		130,208	2,235,395
Increase/(Decrease) in other operating liabilities		<u>1,373,535</u>	<u>(364,394)</u>
Cash from operating activities		45,110,017	45,425,058
Income tax paid		<u>(3,881,172)</u>	<u>(3,054,778)</u>
Net cash flows from operating activities		<u>41,228,845</u>	<u>42,370,280</u>

Consolidated Statement of Cash Flows (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

	NOTE	2021	2020
Cash flows from investing activities			
Cash received from disposal and redemption of investment securities		207,479,022	176,771,684
Interest income received from investment securities		16,039,849	14,232,769
Cash received from disposal of property and equipment and other assets		85,598	143,059
Cash paid for purchase of investment securities		(294,790,854)	(228,247,446)
Cash paid for purchase of property and equipment and other assets		(880,675)	(790,128)
Dividends income from investment securities		21,624	4,261
Net cash used in investing activities		<u>(72,045,436)</u>	<u>(37,885,801)</u>
Cash flows from financing activities			
Transactions with non-controlling interests		–	(390,000)
Cash received from debt securities issued		289,601,353	225,530,930
Cash received from issuance of other equity instruments		4,000,000	–
Repayments of debt securities issued		(242,533,757)	(227,370,000)
Dividends paid to shareholders of the Bank		(2,521,845)	(2,615,763)
Dividends paid to shareholders of non-controlling interests		(30,669)	(48,875)
Interest paid on debt securities issued		(1,070,400)	(703,200)
Cash paid in other financing activities		(73,611)	(94,014)
Net cash (used in)/from financing activities		<u>47,371,071</u>	<u>(5,690,922)</u>
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents as at 1 January		19,268,138	20,533,230
Effect of foreign exchange rate changes		(37,193)	(58,649)
Cash and cash equivalents as at 31 December	44	<u>35,785,425</u>	<u>19,268,138</u>
Net cash from operating activities include:			
Interest received		34,763,137	31,422,775
Interest paid		(18,356,159)	(14,718,834)
Net interest received from operating activities		<u>16,406,978</u>	<u>16,703,941</u>

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

1. GENERAL INFORMATION

Chongqing Rural Commercial Bank Co., Ltd. (the “Bank”) is a joint-stock commercial bank incorporated in the People’s Republic of China (the “PRC”) on 27 June 2008. Prior to its incorporation, the business acquired by the Bank (the “Business”) was carried out by 38 rural credit cooperative unions and Chongqing Wulong Rural Cooperative Bank in Chongqing of the PRC (collectively, the “39 Rural Credit Unions”). All of them were managed by the Chongqing Rural Credit Cooperative Union (the “CRCCU”) at the municipal level of Chongqing, the PRC.

Pursuant to the promoters’ agreement among the promoters of the Bank, the Bank acquired all the assets and liabilities of the 39 Rural Credit Unions and the CRCCU on 27 June 2008, and the Business was transferred to the Bank.

The Bank was listed on The Stock Exchange of Hong Kong Limited on 16 December 2010 and was listed on Shanghai Stock Exchange on 29 October 2019.

The Bank has financial services certificate No. B0335H250000001 issued by the China Banking Regulatory Commission (the former “CBRC”. It was renamed as “CBIRC” in 2018, hereinafter referred to as “CBIRC”), and a corporate legal person business license with a unified social credit code 91500000676129728J issued by the Chongqing Administration of Industry and Commerce.

The principal activities of the Bank and its subsidiaries (together referred to as the “Group”) comprise the provision of banking services, which includes deposit taking, loan lending, payment and settlement services, financial leasing and other services as approved by the CBIRC.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which collectively include accounting standards and related interpretations issued by the International Accounting Standards Board (the “IASB”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance.

2.2 Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of consideration given in exchange for assets and that is received (or in some circumstances the amount expected to be paid) with respect to liabilities.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2 Basis of preparation (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based Payment”, leasing transactions that are within the scope of IAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets”.

In addition, for financial reporting purposes, fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described in Note 51.

New standards, amendments and interpretations effective in 2021 and adopted by the Group

- | | | | |
|-----|---|-----|---|
| (1) | Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | (i) | Interest Rate Benchmark (IBOR) Reform – Phase 2 |
| (i) | <i>The IASB has issued IBOR Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.</i> | | |

The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial instruments (that is, financial instruments classified as amortised cost and debt instruments at FVOCI), lease receivables and lease liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognize hedge ineffectiveness.

The adoption of the amendments did not have significant impacts on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2 Basis of preparation (Continued)

New standards and amendments not yet effective and have not been adopted before their effective dates

		Effective for annual periods beginning on or after	
(1)	IFRS 17	Insurance Contracts	1 January 2023
(2)	Amendments to IFRS 3	Business Combinations	1 January 2022
(3)	Amendments to IAS16	Property, Plant and Equipment	1 January 2022
(4)	Amendments to IAS 37	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
(5)	Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture	The amendments were originally intended to be effective for annual periods beginning on or after 1 January 2016. The effective date has now been deferred. Early adoption of the amendments continue to be permitted

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2 Basis of preparation (Continued)

(1) IFRS 17: Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured each reporting period. Contracts are measured using the building blocks of: discounted probability-weighted cash flows, an explicit risk adjustment, and a contractual service margin (“CSM”) representing the unearned profit of the contract which is recognised as revenue over the coverage period. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features. The Group anticipates that the adoption of this standard will not have any impact on the Group’s consolidated financial statements.

(2) Amendments to IFRS 3: Business Combinations

Amendments to IFRS 3: ‘Business combinations’ update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

(3) Amendments to IAS 16: Property, Plant and Equipment

Amendments to IAS 16, ‘Property, plant and equipment’ prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

2. BASIS OF PREPARATION (Continued)

2.2 Basis of preparation (Continued)

(4) *Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets*

Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

(5) *Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture*

These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale and contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary. The Group anticipates that the adoption of these amendments will not have a significant impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and subsidiaries (including structured entities) controlled by the Bank. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of consolidation (Continued)

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

Management applies its judgment to determine whether the Group is acting as agent or principal in relation to the structured entities in which the Group acts as an asset manager. In assessing whether the Group is acting as agent or principal, the Group considers factors such as scope of the asset manager's decision-making authority, rights held by other parties, remuneration to which it is entitled, and exposure to variability of returns by other arrangements (such as direct investments).

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the shareholders of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the shareholders of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Associates

Associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

Investments in associates are accounted for in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for the post acquisition change in the Group's share of the associates' net assets. The Group's interest in the associates is included in the consolidated financial statements from the start date of significant influence or joint control to the end date of significant influence or joint control.

3.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting. The chief operating decision-maker allocates resources and assesses performance of the operating segments, according to the segment reporting.

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business. Specific recognition criteria for different nature of revenue are disclosed below.

(a) *Interest income*

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

- (i) Purchased or Originated Credit Impaired (“POCI”) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset.
- (ii) Financial assets that are not POCI but have subsequently become credit-impaired (or “stage 3”), for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of the expected credit loss allowance).

(b) *Fee and commission income*

Fees and commission income is recognised at the specific point of time or for a certain period of time when the Group fulfills its performance obligations in the contract, that is, when customer obtains control of relevant services.

Fees and commissions charged for performance obligations performed at specific point of time are recognised when customer obtains control of relevant services, mainly including agency insurance, merchant receipt, clearing and settlement, bond underwriting income, etc. Fees and commissions charged for performance obligations performed during a certain period of time are recognised according to the progress of the performance during that period, mainly including consultant and consulting income, custody income, etc.

(c) *Dividend income*

Dividend income from investments is recognised when the Group’s right to receive payment is established.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(a) *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated financial statements because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(b) *Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Taxation (Continued)

(b) Deferred tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Employee benefits

Employee benefits are all forms of consideration given and compensations incurred by the Group in exchange for services rendered by employees or the termination of the employment relationship, including short-term employee benefits, post-employment benefits, and early retirement benefits.

(a) *Short-term employee benefits*

Short-term employee benefits include employee wages or salaries, bonus, allowance and subsidies, staff welfare, medical insurance, maternity insurance, housing funds, union running costs, employee education costs, and so forth. Actual short-term employee benefits are recognised as a liability in the period in which the associated services are rendered by its employees, with a corresponding increase in the expenses in profit or loss.

(b) *Post-employment benefits*

The Group divides post-employment benefit plans into defined contribution plans and defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans. For defined contribution plans, the Group pays contributions to basic retirement insurance, annuity scheme and unemployment insurance for the employees during the reporting period, while defined benefit plans are mainly supplementary retirement benefits.

Defined contribution plans

Defined contribution retirement schemes

The Group has joined defined contribution retirement schemes for the employees arranged by local government labour and security authorities. The Group makes contributions to the retirement schemes monthly at the applicable rates based on the amounts stipulated by the local government organisations. When employees retire, the local government labour and security authorities are responsible for the payment of the basic retirement benefits to the retired employees. During the accounting period in which the employees provide services, the amount payable in accordance with the above regulations are recognised as a liability and charged to the profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Employee benefits (Continued)

(b) Post-employment benefits (Continued)

Defined contribution plans (Continued)

Annuity plan

In addition to the statutory provision contributions, the Group's employees retired after 1 January 2019 have voluntarily joined the annuity scheme set up in accordance with state enterprise annuity regulations. The Group contributes to the annuity plan in proportion to the total wages of employees in the previous year. For employees who would soon retire after participating in the annuity scheme, the Group will make compensatory contributions during the transition period in accordance with the policies of the relevant national authorities. After employees' retirement, the enterprise annuity pays pensions to retired employees. During the accounting period in which services are rendered, the Group recognises the calculated payable amount as a liability, and charged to the profit or loss.

Defined benefit plans

The Group pays supplementary retirement benefits for its retired employees, consisting of supplementary pension for employees retired on or before 31 December 2018 and supplementary medical benefits for all retired employees. Such supplementary retirement benefits are defined benefit plans. The Group's obligations in respect of supplementary retirement benefits are calculated by estimating the amount of obligations that the Group is committed to pay to the employees after their retirement using actuarial techniques. At the end of each reporting period, such obligations are discounted with interest yield of government bonds with similar duration. The service cost and net interest from the supplementary retirement benefits are recognised in profit or loss, and the remeasurements are recognised in other comprehensive income which will not be reclassified to profit or loss in subsequent accounting periods.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7 Employee benefits (Continued)

(c) *Early retirement benefits*

The Group provides early retirement benefits to those employees who accept the early retirement arrangement.

Obligations of early retirement benefits are calculated by an independent actuary using the projected unit credit method at the end of the reporting period. All resulting gains or losses are charged or credited to profit or loss immediately as “Operating expenses” when they occur.

3.8 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the year in which they become receivable.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments

(a) Measurement method

Amortised cost and effective interest rate

The amortised cost is determined at the financial assets or financial liabilities at initial recognition after being adjusted as follows:

- (i) deducting the principal repaid;
- (ii) adding or deducting the cumulative amortisation of any difference between the amount at initial recognition and the amount at the maturity date using the effective interest method;
- (iii) deducting any loss allowance (solely for financial assets).

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses (“ECL”) and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired (“POCI”) financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortised cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments traded in active markets is based on quoted market prices (unadjusted) at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. When using valuation techniques, unobservable market inputs would not be used unless relevant observable inputs are not available or not practical to access.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(b) Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Regular way purchases or sales of financial assets are recognised on the trade date, on which the Group commits itself to purchase or sale the asset.

Financial assets and liabilities are measured initially at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets or financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Subsequent to initial recognition, expected credit losses of financial investments measured at amortised cost and debt instruments measured at fair value through other comprehensive income are recognised in profit or loss immediately.

(c) Classification and subsequent measurement

The Group classifies financial assets according to the following measurement categories:

- Fair value through profit or loss (“FVPL”);
- Fair value through other comprehensive income (“FVOCI”); or
- Amortised cost (“AC”).

The classification requirements of debt instruments and equity instruments are described as below:

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, such as loans, government bonds, and corporate bonds.

Classification and measurement of debt instruments depend on:

- (i) The Group’s business model for managing the financial asset; and
- (ii) The contractual cash flows characteristics of the financial asset.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(c) Classification and subsequent measurement (Continued)

Based on these factors, the Group classifies its debt instruments into the following three measurement categories:

Financial assets are classified as financial assets measured at amortised cost if the assets are managed within a business model whose objective is to hold assets in order to collect contractual cash flows; the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the assets are not designated at fair value through profit or loss. The carrying amount of the asset is adjusted in accordance with the expected credit loss allowances recognised and measured. The Group uses the effective interest method to calculate the interest income of the asset and discloses it as “interest income”.

Financial assets are classified as financial assets measured at fair value through other comprehensive income (“OCI”) if the assets are managed within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets, the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the assets are not designated at fair value through profit or loss. Gains and losses are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument’s amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and disclosed as “net trading gain”. Interest income from these financial assets is included in “interest income” using the effective interest method.

Financial assets are classified as financial assets measured at fair value through profit or loss if the assets do not meet the criteria for amortised cost or fair value through other comprehensive income. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement within “net trading gain” in the period in which it arises, unless it arises from debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separately in “net trading gain”.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(c) Classification and subsequent measurement (Continued)

The business model reflects how the Group manages financial assets to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the asset or is to collect both the contractual cash flows and cash flows arising from the sale of financial assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. Trading securities are primarily held for sale in the near future or as part of a portfolio of financial instruments and the portfolio has a short-term profit model. The business model of these securities is "other", which is measured at fair value through profit or loss.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic leading risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic leading arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determine whether their cash flows are SPPI.

The Group reclassifies it if and only if the business model of the debt instrument investment changes, and performs the reclassification at the beginning of the first reporting period after the change has occurred. The Group anticipates that such changes are very rare and did not occur during the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(c) Classification and subsequent measurement (Continued)

Equity Instrument

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets. Examples of equity instruments include basic ordinary shares.

The Group subsequently measures all equity investments at FVPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. Where an investment in an equity investment not held for trading is designated as a financial asset measured at FVOCI, the changes in fair value of the financial asset are recognized in the other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from other comprehensive income to retained earnings. The dividend income on the investment is recognized in profit or loss only when the Group's right to receive payment of the dividends is established.

Gains and losses on equity investments at FVPL are included in the "Net trading gain" in the consolidated income statement.

(d) Impairment of financial instruments

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI and with exposure arising from some loan commitments and financial guarantee contracts. The Group recognises relevant loss allowances at each reporting date. The Group's measurement of ECL of a financial instrument reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(e) *Modification of loans*

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in;
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a “new” asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(e) Modification of loans (Continued)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

(f) Derecognition other than modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as 'pass through' transfers that result in derecognition if the Group:

- Has no obligation to make payments unless it collects equivalent amounts from the assets;
- Is prohibited from selling or pledging the assets; and
- Has an obligation to remit any cash it collects from the assets without material delay.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowing transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(f) Derecognition other than modification (Continued)

When the contractual rights to receive the cash flows from the assets have been transferred, and the Group neither transfers nor retains substantially all the risks and rewards of ownership, and the Group has retained control of the transferred assets, the Group applies continuing involvement approach. Under this approach, the Group continues to recognise the transferred asset to the extent of its continuing involvement and recognise the associated liability, to reflect the rights and obligations retained by the Group. The net carrying amount of the transferred asset and associated liability is: (a) the amortised cost of the rights and obligations retained by the Group, if the transferred asset is measured at amortised cost; or (b) equal to the fair value of the rights and obligations retained by the Group when measured on a stand-alone basis, if the transferred asset is measured at fair value.

In both the current and prior period, financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability) and partially profit or loss (the remaining amount of change in the fair value of the liability). This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in the credit risk of the liability are also presented in profit or loss;
- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition. When the transfer of financial asset did not qualify for derecognition, a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability;
- Financial guarantee contracts and loan commitments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(g) Derecognition

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

The exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in covenants are also taken into consideration. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance (calculation as described in Note 50); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments provided by the Group are measured as the amount of the loss allowance (calculation as described in Note 50). The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9 Financial instruments (Continued)

(g) Derecognition (Continued)

For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as provisions.

(h) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. A financial instrument is an equity instrument if, and only if, both conditions (i) and (ii) below are met: (i) The financial instrument includes no contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; and (ii) If the financial instrument will or may be settled in the Group's own equity instruments, it is a non-derivative instrument that includes no contractual obligations for the Group to deliver a variable number of its own equity instruments; or a derivative that will be settled only by the Group exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of direct issuance expenses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10 Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress), are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognised impairment losses. Costs include professional fees and other directly attributable costs. Such properties are classified to the appropriate category of property and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continuing use of the asset. Any gain or loss arising from the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11 Land use rights

Land use rights are classified in other assets and amortised over a straight-line basis over their authorised useful lives.

3.12 Investment property

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment property is initially measured at its acquisition cost. Subsequent expenditures incurred for the investment property are included in the cost of the investment property if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in the consolidated statement of comprehensive income in the period in which they are incurred.

Investment property is subsequently measured at cost. Depreciation and amortisation are recognized in the same way as property and land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal, net of the carrying amount and related expenses, in the consolidated statement of comprehensive income for the current period.

3.13 Intangible assets

(a) Intangible assets acquired separately

Intangible assets acquired separately with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Intangible assets (Continued)

(b) *Intangible assets acquired in a business combination*

Intangible assets acquired in a business combination are identified and recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below). Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

3.14 Impairment of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.15 Foreclosed assets

The Group's foreclosed assets of the type of financial assets are initially recognized at fair value; Debt assets of the type of financial assets transferred by the Group are initially measured at fair value; Debt assets other than the transferred financial assets are initially measured at the fair value of the waived creditors' rights and other costs such as taxes directly attributable to the asset.

Any gain or loss arising from disposal of the foreclosed asset is included in profit or loss in the year in which the item is disposed.

A foreclosed asset used by the Group is transferred to property and equipment at carrying amount.

3.16 Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

3.17 Leases

(1) Recognition of the leases

A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

- (a) Whether a contract involves the use of identified assets – the identified assets may be explicitly or implicitly specified in the contract, and are either physically distinct or represent substantially all of the capacity of the asset. A customer does not have the right to use an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use;
- (b) Whether the Group has the right to obtain substantially all of the economic benefits from use of the identified asset;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Leases (Continued)

(1) Recognition of the leases (Continued)

- (c) Whether the Group has the right to direct the use of the identified asset. When the Group has the decision-making rights that are most relevant to changing how and for what purpose the asset is used throughout the period of use, the Group is considered to have the right to direct the use of the identified asset. In the cases where the relevant decisions about how and for what purpose the asset is used are predetermined, if:
- the Group has the right to operate the asset;
 - the Group designed the asset in a way that predetermines how and for what purpose the asset will be used, the Group is considered to have the right to direct the use of the asset.

When initially recognising or reassessing the lease components in a contract, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component.

(2) The Group as lessee

At the commencement date, the Group recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, comprising: the amount of the initial measurement of the lease liability (adjusted for any lease payments made at or before the commencement date); any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Subsequently, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The useful life of the right-of-use asset is estimated based on the same method as that of estimating the useful life of properties and equipments. Additionally, the Group regularly determines and recognises any impairment of right-of-use assets, and adjusted for any remeasurement of the lease liability.

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

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Leases (Continued)

(2) The Group as lessee (Continued)

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

- fixed payments (including in-substance fixed payments);
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, the lease payments during the extension period of an extension option if the Group is reasonably certain to exercise that option, and payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group remeasures the lease liability if the future lease payments change resulting from a change in the amounts expected to be payable under a residual value guarantee, an index or a rate used to determine those payments, or a change in the assessment of extension, termination or purchase options.

The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group will recognise any remaining amount of the remeasurement in profit or loss.

For short-term leases with a lease term of 12 month or less and leases for which the underlying asset is of low value, the Group has elected not to recognise the right-of-use assets and the lease liabilities. The Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Leases (Continued)

(3) The Group as lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, regardless of whether legal title transfers. Leases other than finance leases are classified as operating leases.

When the Group is the lessor in a finance lease, an amount representing the minimum lease payment receivables and unguaranteed residual value, net of initial direct costs, all discounted at the implicit lease rate (the “net lease investment”) is recorded in the consolidated statement of financial position as “Loans and Advances to Customers”. The difference between the net lease investment and the undiscounted amount is recorded as unearned finance income, and interest income over the lease term is calculated and recognised based on the interest rate implicit in the lease. Impairment losses on lease receivables are accounted for in accordance with the accounting policies as financial instruments impairment.

The Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group. For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a receivable arising from sale and leaseback arrangements equal to the transfer proceeds within the scope of IFRS 9. For a transfer of asset that satisfies the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor accounts for the purchase of the asset applying applicable standards, and for the lease applying the lessor accounting requirements in accordance with IFRS 16.

When the Group is the lessor in an operating lease, the assets subject to the operating lease continue to be recognised as the Group’s property and equipment. Rental income from operating leases is recognised as “Other Operating Income” in the consolidated income statement on a straight-line basis over the term of the related lease.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.18 Fiduciary and agency activities

The fiduciary and agency activities of the Group include granting the trust loans on behalf of third-party lenders. The Group only receives commissions without taking main risks related to these activities. Related assets and the obligation of returning such assets on maturity to principals should be off-balance accounted.

3.19 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

The Group assesses on a forward-looking basis the expected credit losses (“ECL”) associated with exposure arising from loan commitments and financial guarantee contracts. The measurement of ECL allowance for loan commitments and financial guarantee contracts are described in Note 3.9 and 50 (3).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.20 Foreign currency translation

(a) *Functional and presentation currency*

The consolidated financial statements are presented in Renminbi (RMB), which is the Bank's functional and the Group's presentation currency.

(b) *Transactions and balances*

Transactions in currencies other than the functional currency of the Bank (foreign currencies) are recorded at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. The resulting exchange differences are recognised in profit or loss. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated into functional currency using the spot exchange rates at the transaction dates.

At the date of reporting, monetary items denominated in foreign currencies are translated into the functional currency at the spot exchange rates at that date. Changes in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Translation differences on other monetary financial assets and liabilities are recognised in profit or loss.

Translation differences on non-monetary financial assets and liabilities measured at fair value are recognised in consolidated income statement; unless the gains and losses related to the non-monetary items are directly recognised in other comprehensive income, in which situation that translation differences are included in other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

In the application of the Group's accounting policies, which are described in Note 3, the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the year of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and key estimation uncertainty that the directors of the Bank have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements and/or in the next twelve months.

4.1 Measurement of expected credit loss allowance

The measurement of the ECL allowance for the investment in financial assets and debt instruments measured at amortised cost and FVOCI is an area that requires the use of complex models and critical assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 50.

A number of critical judgements are required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of financial instruments with similar credit risk characteristics for the purposes of measuring ECL.

Detailed information about the judgements and estimates made by the Group in the above areas is set out in Note 50.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.2 Scope of consolidation

Where the Group acts as asset manager of structured entities, the Group makes judgement on whether it controls the structured entities. The principle of control includes three factors: (i) power over investees; (ii) exposure or right to the variable returns of investees, and (iii) ability to affect those returns through its power over the investees. If evidence shows that the factors of the control change, the Group shall reassess whether it has control on the investees. When performing this assessment, the Group considers several factors including, among other things, the scope of its decision-making authority over the structured entities, the rights held by other parties, the remuneration to which it is entitled in accordance with the related agreements for the assets management services, the Group's exposure to variability of returns from other interests (such as direct investment) that it holds in the structured entities.

4.3 Classification of financial assets

The critical judgments the Group has made in determining the classification of financial assets include analysis of business models and characteristics of contractual cash flows.

The Group determines the business model for managing financial assets at the level of financial asset portfolio. The factors considered include how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

When assessing whether the contractual cash flow of financial assets is consistent with the basic lending arrangement, the Group has the following main judgments: Whether the principal may be subject to change in the duration or amount of money due to prepayments during the duration; whether interests only included time value of money, credit risk, other basic lending risks, and considerations for costs and profits. For example, whether the amount paid in advance reflect only the outstanding principal and interest on the outstanding principal, as well as reasonable compensation for early termination of the contract.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

4.4 Fair value of financial instruments

The directors of the Bank use the valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis or other valuation methods as appropriate. To the extent practical, models use only observable data, however areas such as the credit risk of the Group and counterparties, volatilities and correlations require the Group to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

4.5 Supplementary retirement benefit and early retirement benefit obligation

The Group recognises liabilities in connection with retirement benefits of employees using the projected unit credit method based on various assumptions and judgements, including the discount rate and average medical expense increase rate for early retirement and other factors. Actual results may differ from the result of the projected amount. Any difference between the actual result or changes in assumptions and judgements may affect the amount of other comprehensive income for supplementary retirement benefit obligation and expense recognised in profit or loss for early retirement benefit obligation, and the corresponding liabilities.

4.6 Taxes

There are certain transactions and activities for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the year during which such a determination is made.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

5. NET INTEREST INCOME

	2021	2020
Interest income		
Loans and advances to customers	28,893,438	24,605,938
Corporate loans and advances	14,116,935	13,186,742
Personal loans and advances	14,331,193	10,863,725
Discounted bills	445,310	555,471
Financial investments	16,886,635	15,054,438
Financial assets measured at amortised cost	16,150,454	14,648,256
Financial assets measured at fair value through other comprehensive income	736,181	406,182
Placements with banks and other financial institutions	3,951,159	4,186,420
Balances with central bank	895,796	932,038
Financial assets held under resale agreements	664,119	521,881
Deposits with banks and other financial institutions	457,956	558,266
Subtotal	<u>51,749,103</u>	<u>45,858,981</u>
Interest expense		
Deposits from customers	(14,755,959)	(13,982,411)
Debt securities issued	(6,079,005)	(4,390,412)
Borrowings from central bank	(1,808,848)	(1,197,007)
Placements from banks and other financial institutions	(1,244,323)	(894,619)
Financial assets sold under repurchase agreements	(839,246)	(692,450)
Deposits from banks and other financial institutions	(781,310)	(446,806)
Others	(5,612)	(6,406)
Subtotal	<u>(25,514,303)</u>	<u>(21,610,111)</u>
Net interest income	<u>26,234,800</u>	<u>24,248,870</u>
Included in interest income		
Interest income on listed investments	15,256,094	12,744,839
Interest income on unlisted investments	1,630,541	2,309,599
Total	<u>16,886,635</u>	<u>15,054,438</u>

Listed investments include debt securities traded on the China Domestic Interbank Bond Market and stock exchanges.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

6. NET FEE AND COMMISSION INCOME

	2021	2020
Fee and commission income		
Wealth management fees	1,638,479	1,937,020
Agency and fiduciary service fees	454,255	370,198
Bank card fees	194,271	164,985
Settlement and clearing fees	132,223	134,290
Others	482,764	404,130
Subtotal	<u>2,901,992</u>	<u>3,010,623</u>
Fee and commission expense		
Bank card fees	(101,957)	(35,545)
Settlement and clearing fees	(24,907)	(36,828)
Others	(50,925)	(35,386)
Subtotal	<u>(177,789)</u>	<u>(107,759)</u>
Net fee and commission income	<u><u>2,724,203</u></u>	<u><u>2,902,864</u></u>

7. NET TRADING GAINS

	2021	2020
Net gains on financial assets measured at fair value through profit or loss	1,263,107	785,574
Net gains on financial liabilities measured at fair value through profit or loss	(4,738)	-
Net gains on derivative financial instruments	(19,307)	(18,118)
Total	<u><u>1,239,062</u></u>	<u><u>767,456</u></u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

8. OTHER OPERATING INCOME, NET

	2021	2020
Exchange gains/(losses)	9,680	(34,991)
Government subsidies	387,293	168,896
Rental income	50,635	10,235
Penalty and compensation income	8,364	8,598
Net gain on disposal of property and equipment	53,963	94,497
Net gain on disposal of foreclosed assets	1,146	1,839
Others, net	15,245	(24,243)
Total	526,326	224,831

9. OPERATING EXPENSES

	Note	2021	2020
Staff costs	(1)	5,499,093	4,841,676
General operating and administrative expenses		2,004,681	1,509,751
Depreciation and amortisation		829,842	849,703
Tax and surcharges		286,754	273,643
Costs of operating lease business		21,047	–
Others	(2)	154,280	434,660
Total		8,795,697	7,909,433

(1) Staff costs

	Note	2021	2020
Salaries, bonuses and allowances		3,621,710	3,532,118
Social insurance		778,369	303,917
Housing funds		375,549	374,301
Staff welfare		185,203	198,973
Labour union fees and staff education expenses		125,010	122,277
Supplementary retirement benefits	(i)	205,420	94,090
Early retirement benefits		31,673	(4,060)
Annuity		176,159	220,060
Total		5,499,093	4,841,676

(i) Details are disclosed in Note 33.

(2) The principal auditor's remuneration of RMB7.70 million for the year ended 31 December 2021 is included in other expenses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Details of the directors' and supervisors' emoluments are as follows:

Name	2021				Total
	Part-time Fee	Paid Remuneration (before tax)	Contribution to Pension Schemes	Other Monetary Income	
Executive directors					
Liu Jianzhong	-	394	127	-	521
Xie Wenhui	-	394	127	-	521
Zhang Peizong	-	315	127	38	480
Non-executive directors					
Zhang Peng	90	-	-	-	90
Yin Xianglin	90	-	-	-	90
Gu Xiaoxu	-	-	-	-	-
Luo YuXing ⁽¹⁾	-	-	-	-	-
Wen Honghai ⁽¹⁾	68	-	-	-	68
Independent non-executive directors					
Song Qinghua	180	-	-	-	180
Zhang Qiaoyun	180	-	-	-	180
Lee Ming Hau	180	-	-	-	180
Li Jiaming	180	-	-	-	180
Bi qian	180	-	-	-	180
Supervisors					
Huang Qingqing	75	-	-	-	75
Zhang Jinruo	120	-	-	-	120
Hu Yuancong	120	-	-	-	120
Zhang Yingyi	120	-	-	-	120
Zheng Yi ⁽³⁾	-	-	-	-	-
Le Xiaoming ⁽³⁾	-	-	-	-	-
Zhou Wei ⁽²⁾⁽³⁾	-	-	-	-	-
Zuo Ruilan ⁽¹⁾	38	-	-	-	38
Zhu Yuzhou ⁽¹⁾⁽³⁾	-	-	-	-	-
Total	1,621	1,103	381	38	3,143

(1) The individuals have resigned during the year ended 31 December 2021.

(2) In November 2021, Ms. Zhou Wei was appointed as an Employee Representative Supervisor of the Bank.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows: (Continued)

Name	2020				Total
	Part-time Fee	Paid Remuneration (before tax)	Contribution to pension schemes	Other Monetary Income	
Executive directors					
Liu Jianzhong	–	370	76	–	446
Xie Wenhui	–	370	76	–	446
Zhang Peizong	–	296	76	38	410
Non-executive directors					
Zhang Peng	90	–	–	–	90
Yin Xianglin	–	–	–	–	–
Gu Xiaoxu	–	–	–	–	–
Wen Honghai	90	–	–	–	90
Chen Xiaoyan	45	–	–	–	45
Luo YuXing	90	–	–	–	90
Independent non-executive directors					
Song Qinghua	180	–	–	–	180
Zhang Qiaoyun	180	–	–	–	180
Lee Ming Hau	180	–	–	–	180
Li Jiaming	–	–	–	–	–
Bi qian	–	–	–	–	–
Yuan Zengting	165	–	–	–	165
Cao Guohua	165	–	–	–	165
Supervisors					
Zuo Ruilan	75	–	–	–	75
Huang Qingqing	–	–	–	–	–
Zhang Jinruo	–	–	–	–	–
Hu Yuancong	–	–	–	–	–
Zhang Yingyi	–	–	–	–	–
Zheng Yj ⁽³⁾	–	–	–	–	–
Zhu Yuzhou ⁽³⁾	–	–	–	–	–
Le Xiaoming ⁽³⁾	–	–	–	–	–
Zeng Jianwu	63	–	–	–	63
Wang Hong	100	–	–	–	100
Hu Shuchun	100	–	–	–	100
Pan Like	100	–	–	–	100
Total	1,623	1,036	228	38	2,925

- (3) During the years ended 31 December 2021 and 2020, the Bank's employee representatives in the Board of Supervisors did not receive remuneration as the employee representative supervisors.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

10. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (Continued)

Details of the directors' and supervisors' emoluments are as follows (Continued):

The total compensation packages for the directors, supervisors and senior management are determined based on the performances.

On account of certain regulations of relevant state authorities, the total remuneration for certain directors, supervisors and senior management members in 2021 has not been finalized, but the management of the Group expects the difference between the current estimate and the final remuneration shall not have a significant impact on the 2021 consolidated financial statements. The 2021 remuneration disclosed herein includes only the basic annual salaries approved for the current year and the proposed performance-based salaries, and the actual total remuneration shall be further disclosed when the determination is finalized by the Bank and duly approved.

Five highest paid individuals

Of the five individuals with the highest emoluments, none of them are directors or supervisors.

The emoluments payable to the five individuals whose emoluments were the highest in the Group during the year are as follows:

	2021	2020
Salaries and other emoluments ⁽¹⁾	7,692	8,580
Contribution to pension schemes	602	366
Total	8,294	8,946

⁽¹⁾ Salaries and other emoluments include basic salaries, discretionary bonuses and other allowances and benefits.

Emoluments of the individuals were within the following bands:

	Number of individuals	
	2021	2020
HKD0 – HKD1,000,000	–	–
HKD1,000,001 – HKD1,500,000	–	–
HKD1,500,001 – HKD2,000,000	2	–
HKD2,000,001 – HKD2,500,000	3	5

During the years ended 31 December 2021 and 2020, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals (including directors, supervisors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. Except for Ms. Gu Xiaoxu, none of the directors or supervisors waived any emoluments during the year ended 31 December 2021. None of the directors or supervisors waived any emoluments during the year ended 31 December 2020.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

11. CREDIT IMPAIRMENT LOSSES

	2021	2020
Loans and advances to customers	11,051,036	9,459,237
Financial investments:		
Financial assets measured at amortised cost	(218,918)	828,996
Financial assets measured at fair value through other comprehensive income	530	(698)
Deposits with banks and other financial institutions	(8,607)	169,918
Financial assets held under resale agreements	(947)	1,179
Placements with banks and other financial institutions	(19,477)	(90,777)
Loan commitments	41,952	(165,137)
Impairment losses on other financial assets	6,567	5,875
Total	<u>10,852,136</u>	<u>10,208,593</u>

12. INCOME TAX EXPENSE

(1) Income tax expense

	2021	2020
Income tax expense comprises:		
Current income tax		
– PRC Enterprise Income Tax	3,211,367	3,041,082
Deferred tax (Note 35)	(1,729,086)	(1,543,062)
Total	<u>1,482,281</u>	<u>1,498,020</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

12. INCOME TAX EXPENSE (Continued)

(2) Reconciliation between income tax expense and accounting profit:

The tax charges for the years ended 31 December 2021 and 2020 can be reconciled to the profit before tax per the consolidated statement of income as follows:

	NOTE	2021	2020
Profit before tax		11,200,635	10,062,793
Tax calculated at applicable statutory tax rate of 25%		2,800,159	2,515,698
Difference of income tax calculated at subsidiaries' applicable statutory tax rate of 15%		(92,842)	(89,337)
Tax effect of expenses not deductible for tax purpose	(i)	85,277	57,781
Tax effect of non-taxable income and tax reduction	(ii)	(1,304,909)	(988,884)
Others		(5,404)	2,762
Income tax expense		1,482,281	1,498,020

- (i) Non-deductible expenses mainly include staff costs and entertainment expenses in excess of deduction allowed under the relevant PRC tax regulations.
- (ii) Interest income from government bonds, and local government bonds is not subject to income tax; and interest income from railway construction bonds is subject to income tax levied at half in accordance with the relevant PRC tax regulations.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

13. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	2021	2020
Earnings:		
Profit for the year attributable to shareholders of the Bank	9,559,709	8,401,197
Less: profit for the year attributable to holders of other equity instruments	–	–
Profit for the year attributable to ordinary shareholders of the bank	<u>9,559,709</u>	<u>8,401,197</u>
Numbers of shares:		
Weighted average number of shares in issue (thousand)	<u>11,357,000</u>	<u>11,357,000</u>
Basic and diluted earnings per share (RMB Yuan)	<u>0.84</u>	<u>0.74</u>

There were no potential dilutive ordinary shares outstanding during the current and prior year. Accordingly, diluted earnings per share were same as basic earnings per share.

14. DIVIDENDS

	2021	2020
Dividends recognised as distribution during the year		
Year 2021 – RMB25.25 cents per share	2,867,643	–
Year 2020 – RMB22.2 cents per share	<u>–</u>	<u>2,521,254</u>

A dividend of RMB25.25 cents per share (tax inclusive) in respect of the year ended 31 December 2021 with a total of RMB2,868 million has been proposed by the Board of Directors on 30 March 2022 and to be approved by the shareholders in the 2021 annual general meeting.

A dividend of RMB22.2 cents per share (tax inclusive) in respect of the year ended 31 December 2020 with a total of RMB2,521 million has been approved by the shareholders in the 2020 annual general meeting on 28 May 2021.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

15. CASH AND BALANCES WITH CENTRAL BANK

	NOTE	As at 31 December 2021	As at 31 December 2020
Cash		2,908,109	3,144,929
Mandatory reserve deposits with central bank	(1)	48,865,948	54,561,748
Surplus reserve deposits with central bank	(2)	8,893,289	5,702,967
Other deposits with central bank	(3)	682,294	1,959,279
Total		61,349,640	65,368,923

- (1) The Group places mandatory reserve deposits with the PBOC (the “PBOC”). This includes RMB reserve deposits and foreign currency reserve deposits. These mandatory reserve funds are not available for the Group’s daily operations.

As at 31 December 2021, mandatory reserve deposits with the PBOC were calculated at 6.5% (31 December 2020: 7.5%) of eligible RMB deposits for the Bank, while for the subsidiaries were at 5% (31 December 2020: 6% or 5%); and 9% for foreign currency deposits from customers (31 December 2020: 5%). The foreign currency reserve deposits placed with the PBOC are non-interest bearing.

- (2) The surplus reserve deposits maintained with the PBOC are mainly for the purpose of clearing and position transferring.
- (3) The majority of other deposits represent with central bank are required fiscal deposits placed with the PBOC, which are non-interest bearing.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

16. DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2021	As at 31 December 2020
Deposits with:		
Domestic banks and other financial institutions	16,290,684	27,172,596
Overseas banks	<u>741,477</u>	<u>856,693</u>
Gross amount	<u>17,032,161</u>	<u>28,029,289</u>
Expected credit losses allowances (ECL allowances)	(14,775)	(257,832)
– Stage 1	(14,775)	(19,131)
– Stage 3	<u>–</u>	<u>(238,701)</u>
Carrying amount	<u><u>17,017,386</u></u>	<u><u>27,771,457</u></u>

As at 31 December 2021, there were no deposits with banks and other financial institutions on stage 3 (31 December 2020: RMB239 million).

17. PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2021	As at 31 December 2020
Placements with:		
Other domestic financial institutions	89,090,367	108,628,185
Domestic banks	<u>2,016,526</u>	<u>1,342,724</u>
Gross amount	<u>91,106,893</u>	<u>109,970,909</u>
ECL allowances	(34,383)	(355,805)
– Stage 1	(34,383)	(48,983)
– Stage 3	<u>–</u>	<u>(306,822)</u>
Carrying amount	<u><u>91,072,510</u></u>	<u><u>109,615,104</u></u>

As at 31 December 2021, there were no placements with banks and other financial institutions on stage 3 (31 December 2020: RMB307 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

18. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	As at 31 December 2021			As at 31 December 2020		
	Contract/ Nominal amount	Fair Value		Contract/ Nominal amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
Currency forward	1,042,898	9,009	(8,488)	2,571,800	41,586	(35,976)
Foreign exchange swap	386,006	2,568	(1,374)	335,681	–	(42,593)
Interest swap	9,554,480	2,585	(2,585)	7,534,460	3,177	(3,177)
Others	1,060,000	18,059	–	870,000	13,729	–
Total	12,043,384	32,221	(12,447)	11,311,941	58,492	(81,746)

19. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December 2021	As at 31 December 2020
Analysed by collateral type:		
Debt securities	980,537	1,304,187
ECL allowances stage 1	(232)	(1,179)
Carrying amount	980,305	1,303,008

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS

(1) Analysis of loans and advances to customers

	As at 31 December 2021	As at 31 December 2020
Gross loans and advances measured at amortised cost	555,839,998	490,174,980
Less: ECL allowances	<u>(24,831,502)</u>	<u>(20,922,467)</u>
Carrying amount of loans and advances measured at amortised cost	<u>531,008,496</u>	<u>469,252,513</u>
Carrying amount of loans and advances measured at fair value through other comprehensive income	<u>26,326,500</u>	<u>17,710,890</u>
Carrying amount of loans and advances to customers	<u><u>557,334,996</u></u>	<u><u>486,963,403</u></u>

(2) Carrying amount of loans and advances measured at amortised cost

	As at 31 December 2021	As at 31 December 2020
Gross loans and advances to customers measured at amortised cost	555,839,998	490,174,980
Less: ECL allowances		
– Stage 1	(12,704,188)	(10,549,072)
– Stage 2	(4,212,745)	(4,246,604)
– Stage 3	<u>(7,914,569)</u>	<u>(6,126,791)</u>
Carrying amount of loans and advances measured at amortised cost	<u><u>531,008,496</u></u>	<u><u>469,252,513</u></u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(3) Analysed by assessment method of ECL allowances

	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances measured at amortised cost	530,008,950	15,986,185	9,844,863	555,839,998
Less: ECL allowances	(12,704,188)	(4,212,745)	(7,914,569)	(24,831,502)
Carrying amount of loans and advances measured at amortised cost	<u>517,304,762</u>	<u>11,773,440</u>	<u>1,930,294</u>	<u>531,008,496</u>
Carrying amount of loans and advances measured at FVOCI	<u>26,325,500</u>	<u>–</u>	<u>1,000</u>	<u>26,326,500</u>
Expected credit losses of loans and advances measured at FVOCI	<u>(6,404)</u>	<u>–</u>	<u>(1,000)</u>	<u>(7,404)</u>
	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances measured at amortised cost	466,434,647	16,022,166	7,718,167	490,174,980
Less: ECL allowances	(10,549,072)	(4,246,604)	(6,126,791)	(20,922,467)
Carrying amount of loans and advances measured at amortised cost	<u>455,885,575</u>	<u>11,775,562</u>	<u>1,591,376</u>	<u>469,252,513</u>
Carrying amount of loans and advances measured at FVOCI	<u>17,709,890</u>	<u>–</u>	<u>1,000</u>	<u>17,710,890</u>
Expected credit losses of loans and advances measured at FVOCI	<u>(4,970)</u>	<u>–</u>	<u>(1,000)</u>	<u>(5,970)</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(4) Movements of gross carrying amount on loans and advances to customers

Corporate loans and advances	For the year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	252,962,816	14,278,388	6,390,083	273,631,287
Transfer:				
Transfer from stage 1 to stage 2	(14,817,239)	14,817,239		
Transfer from stage 1 to stage 3	(342,750)		342,750	
Transfer from stage 2 to stage 1	1,067,592	(1,067,592)		
Transfer from stage 2 to stage 3		(10,649,316)	10,649,316	
Transfer from stage 3 to stage 2		4,410	(4,410)	
New financial assets originated or purchased	120,697,166			120,697,166
Derecognition and settlement	(101,291,785)	(3,638,437)	(2,341,604)	(107,271,826)
Write-offs and others			(7,143,691)	(7,143,691)
Others	168,178	81,956	122,094	372,228
As at 31 December 2021	<u>258,443,978</u>	<u>13,826,648</u>	<u>8,014,538</u>	<u>280,285,164</u>

Personal loans and advances	For the year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	213,471,831	1,743,778	1,328,084	216,543,693
Transfer:				
Transfer from stage 1 to stage 2	(2,758,557)	2,758,557		
Transfer from stage 1 to stage 3	(906,795)		906,795	
Transfer from stage 2 to stage 1	239,272	(239,272)		
Transfer from stage 2 to stage 3		(1,038,166)	1,038,166	
Transfer from stage 3 to stage 1	69,150		(69,150)	
Transfer from stage 3 to stage 2		36,865	(36,865)	
New financial assets originated or purchased	173,857,900			173,857,900
Derecognition and settlement	(112,846,562)	(1,105,113)	(545,068)	(114,496,743)
Write-offs and others			(789,631)	(789,631)
Others	438,733	2,888	(2,006)	439,615
As at 31 December 2021	<u>271,564,972</u>	<u>2,159,537</u>	<u>1,830,325</u>	<u>275,554,834</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(4) Movements of gross carrying amount on loans and advances to customers (Continued)

Corporate loans and advances	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	228,141,507	18,443,261	8,175,637	254,760,405
Transfer:				
Transfer from stage 1 to stage 2	(9,454,520)	9,454,520	–	–
Transfer from stage 1 to stage 3	(2,192,817)	–	2,192,817	–
Transfer from stage 2 to stage 1	3,383,622	(3,383,622)	–	–
Transfer from stage 2 to stage 3	–	(6,544,866)	6,544,866	–
Transfer from stage 3 to stage 2	–	277,520	(277,520)	–
New financial assets originated or purchased	133,814,218	–	–	133,814,218
Derecognition and settlement	(101,014,846)	(4,136,899)	(1,001,551)	(106,153,296)
Write-offs and others	–	–	(9,315,863)	(9,315,863)
Others	285,652	168,474	71,697	525,823
As at 31 December 2020	<u>252,962,816</u>	<u>14,278,388</u>	<u>6,390,083</u>	<u>273,631,287</u>

Personal loans and advances	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	159,794,055	1,290,309	1,153,418	162,237,782
Transfer:				
Transfer from stage 1 to stage 2	(1,638,083)	1,638,083	–	–
Transfer from stage 1 to stage 3	(997,584)	–	997,584	–
Transfer from stage 2 to stage 1	134,644	(134,644)	–	–
Transfer from stage 2 to stage 3	–	(340,805)	340,805	–
Transfer from stage 3 to stage 1	64,550	–	(64,550)	–
Transfer from stage 3 to stage 2	–	17,712	(17,712)	–
New financial assets originated or purchased	133,878,007	–	–	133,878,007
Derecognition and settlement	(78,101,461)	(728,913)	(344,386)	(79,174,760)
Write-offs and others	–	–	(735,742)	(735,742)
Others	337,703	2,036	(1,333)	338,406
As at 31 December 2020	<u>213,471,831</u>	<u>1,743,778</u>	<u>1,328,084</u>	<u>216,543,693</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) Movements of ECL allowances on loans and advances to customers

Corporate loans and advances	For the year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	5,699,101	3,667,757	5,076,089	14,442,947
Transfer:				
Transfer from stage 1 to stage 2	(1,919,653)	1,919,653	–	–
Transfer from stage 1 to stage 3	(189,177)	–	189,177	–
Transfer from stage 2 to stage 1	283,535	(283,535)	–	–
Transfer from stage 2 to stage 3	–	(2,881,831)	2,881,831	–
Transfer from stage 3 to stage 2	–	3,171	(3,171)	–
ECL changes arisen from stage transfer	(237,488)	1,267,722	3,039,740	4,069,974
New financial assets originated or purchased	4,361,658	–	–	4,361,658
Derecognition or settlement	(2,240,139)	(464,399)	(761,502)	(3,466,040)
Remeasurement	414,040	210,551	3,212,919	3,837,510
Write-offs and others	–	–	(7,143,691)	(7,143,691)
As at 31 December 2021	<u>6,171,877</u>	<u>3,439,089</u>	<u>6,491,392</u>	<u>16,102,358</u>

Personal loans and advances	For the year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	4,849,971	578,847	1,050,702	6,479,520
Transfer:				
Transfer from stage 1 to stage 2	(566,844)	566,844	–	–
Transfer from stage 1 to stage 3	(198,874)	–	198,874	–
Transfer from stage 2 to stage 1	98,726	(98,726)	–	–
Transfer from stage 2 to stage 3	–	(280,923)	280,923	–
Transfer from stage 3 to stage 1	53,985	–	(53,985)	–
Transfer from stage 3 to stage 2	–	26,663	(26,663)	–
ECL changes arisen from stage transfer	(146,808)	273,178	637,152	763,522
New financial assets originated or purchased	5,062,089	–	–	5,062,089
Derecognition or settlement	(2,731,779)	(296,030)	(253,107)	(3,280,916)
Remeasurement	111,845	3,803	378,912	494,560
Write-offs and others	–	–	(789,631)	(789,631)
As at 31 December 2021	<u>6,532,311</u>	<u>773,656</u>	<u>1,423,177</u>	<u>8,729,144</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

20. LOANS AND ADVANCES TO CUSTOMERS (Continued)

(5) Movements of ECL allowances on loans and advances to customers (Continued)

Corporate loans and advances	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	4,804,086	4,817,852	6,062,858	15,684,796
Transfer:				
Transfer from stage 1 to stage 2	(846,576)	846,576	–	–
Transfer from stage 1 to stage 3	(571,092)	–	571,092	–
Transfer from stage 2 to stage 1	1,176,797	(1,176,797)	–	–
Transfer from stage 2 to stage 3	–	(2,242,189)	2,242,189	–
Transfer from stage 3 to stage 2	–	232,087	(232,087)	–
ECL changes arisen from stage transfer	(975,043)	1,692,842	1,921,643	2,639,442
New financial assets originated or purchased	3,837,973	–	–	3,837,973
Derecognition or settlement	(1,973,650)	(536,556)	(285,818)	(2,796,024)
Remeasurement	246,606	33,942	4,112,075	4,392,623
Write-offs and others	–	–	(9,315,863)	(9,315,863)
As at 31 December 2020	<u>5,699,101</u>	<u>3,667,757</u>	<u>5,076,089</u>	<u>14,442,947</u>

Personal loans and advances	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	3,740,890	387,869	930,552	5,059,311
Transfer:				
Transfer from stage 1 to stage 2	(251,816)	251,816	–	–
Transfer from stage 1 to stage 3	(196,142)	–	196,142	–
Transfer from stage 2 to stage 1	50,122	(50,122)	–	–
Transfer from stage 2 to stage 3	–	(121,071)	121,071	–
Transfer from stage 3 to stage 1	50,792	–	(50,792)	–
Transfer from stage 3 to stage 2	–	13,524	(13,524)	–
ECL changes arisen from stage transfer	(97,213)	256,860	456,539	616,186
New financial assets originated or purchased	3,595,160	–	–	3,595,160
Derecognition or settlement	(1,931,232)	(167,324)	(173,149)	(2,271,705)
Remeasurement	(110,590)	7,295	319,605	216,310
Write-offs and others	–	–	(735,742)	(735,742)
As at 31 December 2020	<u>4,849,971</u>	<u>578,847</u>	<u>1,050,702</u>	<u>6,479,520</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS

(1) By measurement

		As at 31 December 2021	As at 31 December 2020
Financial assets measured at fair value through profit or loss (FVPL)	(a)	48,347,564	30,164,463
Financial assets measured at amortised cost	(b)	424,417,885	383,164,489
Financial assets measured at fair value through other comprehensive income	(c)	48,833,463	16,625,544
– Debt instruments		48,035,760	16,055,223
– Equity instruments		797,703	570,321
Total		<u>521,598,912</u>	<u>429,954,496</u>

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

By nature

		As at 31 December 2021	As at 31 December 2020
Funds		31,626,966	21,028,362
Asset management plans		8,640,699	–
Debt securities	(i)	4,488,534	6,871,036
Trust plans		1,478,720	–
Interbank deposit certificates		1,273,177	–
Investment in wealth management products		826,838	2,265,065
Others		12,630	–
Total		<u>48,347,564</u>	<u>30,164,463</u>
Analysed as:			
– Listed outside Hong Kong		5,761,711	6,871,036
– Unlisted		42,585,853	23,293,427
Total		<u>48,347,564</u>	<u>30,164,463</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(1) By measurement (Continued)

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

By type of issuers

(i) Debt securities

	As at 31 December 2021	As at 31 December 2020
Debt securities issued by:		
Public sector and quasi-governments	144,923	1,651,528
Financial institutions	3,192,034	5,219,508
Corporate bonds	556,181	–
Government bonds	595,396	–
Total	4,488,534	6,871,036

Debt securities investments measured at fair value through profit or loss are all traded on the China Domestic Interbank Bond Market.

(b) Financial assets at amortised cost

	As at 31 December 2021	As at 31 December 2020
Government bonds	162,934,520	113,405,955
Public sector and quasi-government bonds	66,096,458	52,024,618
Financial institutions bonds	77,721,946	54,642,698
Corporate bonds	60,675,912	62,424,815
Interbank deposit certificates	27,198,087	61,506,343
Trust plans	6,440,240	10,000,126
Debt financing plans	25,616,208	33,385,586
Gross balances	426,683,371	387,390,141
ECL Allowances		
– Stage 1	(1,188,701)	(1,062,189)
– Stage 2	(8,948)	(437,574)
– Stage 3	(1,067,837)	(2,725,889)
Net balances	424,417,885	383,164,489
Analysed as:		
Listed outside Hong Kong	394,436,139	343,763,457
Unlisted	29,981,746	39,401,032
Total	424,417,885	383,164,489

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(1) By measurement (Continued)

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

	Note	As at 31 December 2021	As at 31 December 2020
Debt instruments:			
Public sector and quasi-government bonds		31,598,570	15,755,737
Government bonds		15,428,237	–
Financial institution bonds		<u>1,008,953</u>	<u>299,486</u>
Subtotal		<u>48,035,760</u>	<u>16,055,223</u>
Equity instruments:			
Banks and other financial institutions		81,798	142,203
Other corporations		<u>715,905</u>	<u>428,118</u>
Subtotal		<u>797,703</u>	<u>570,321</u>
Total		<u>48,833,463</u>	<u>16,625,544</u>
Analysed as:			
Listed outside Hong Kong	(i)	48,751,665	16,583,697
Listed in Hong Kong		73,798	33,847
Unlisted		<u>8,000</u>	<u>8,000</u>
Total		<u>48,833,463</u>	<u>16,625,544</u>

(i) Debt instruments measured at FVOCI included in “Listed outside Hong Kong” are traded in the China Domestic Interbank Bond Market; equity instruments presented in “Listed outside Hong Kong” are listed in mainland China.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

21. FINANCIAL INVESTMENTS (Continued)

(2) Movements of gross carrying amount on financial assets

Financial assets measured at amortised cost

	For the year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	382,001,241	1,064,967	4,323,933	387,390,141
Transfer:				
Transfer from stage 1 to stage 2	(1,430,339)	1,430,339	–	–
Transfer from stage 2 to stage 3	–	(998,700)	998,700	–
New financial assets originated or purchased	149,787,980	–	–	149,787,980
Derecognition or settlement	(107,496,961)	(190,000)	(1,483,720)	(109,170,681)
Write-offs and others	–	–	(1,741,247)	(1,741,247)
Others	596,152	(10,923)	(168,051)	417,178
As at 31 December 2021	<u>423,458,073</u>	<u>1,295,683</u>	<u>1,929,615</u>	<u>426,683,371</u>
	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	344,308,777	5,506,295	–	349,815,072
Transfer:				
Transfer from stage 2 to stage 1	326,661	(326,661)	–	–
Transfer from stage 2 to stage 3	–	(4,000,000)	4,000,000	–
New financial assets originated or purchased	155,038,582	–	60,000	155,098,582
Derecognition or settlement	(118,157,548)	(400)	–	(118,157,948)
Others	484,769	(114,267)	263,933	634,435
As at 31 December 2020	<u>382,001,241</u>	<u>1,064,967</u>	<u>4,323,933</u>	<u>387,390,141</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

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21. FINANCIAL INVESTMENTS (Continued)

(2) Movements of gross carrying amount on financial assets (Continued)

Debt instruments measured at fair value through other comprehensive income

	For the year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	16,055,223	–	–	16,055,223
New financial assets originated or purchased	61,185,311	–	–	61,185,311
Derecognition or settlement	(29,626,065)	–	–	(29,626,065)
Others	421,291	–	–	421,291
As at 31 December 2021	<u>48,035,760</u>	<u>–</u>	<u>–</u>	<u>48,035,760</u>
	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	6,679,007	–	–	6,679,007
New financial assets originated or purchased	10,580,976	–	–	10,580,976
Derecognition or settlement	(1,348,335)	–	–	(1,348,335)
Others	143,575	–	–	143,575
As at 31 December 2020	<u>16,055,223</u>	<u>–</u>	<u>–</u>	<u>16,055,223</u>

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21. FINANCIAL INVESTMENTS (Continued)

(3) Analysed by assessment method of ECL allowances

	As at 31 December 2021			Total
	Stage 1	Stage 2	Stage 3	
Financial assets measured at amortised cost	423,458,073	1,295,683	1,929,615	426,683,371
Less: ECL allowances	(1,188,701)	(8,948)	(1,067,837)	(2,265,486)
Carrying amount of financial assets measured at amortised cost	<u>422,269,372</u>	<u>1,286,735</u>	<u>861,778</u>	<u>424,417,885</u>
Carrying amount of debt instruments measured at FVOCI	<u>48,035,760</u>	<u>–</u>	<u>–</u>	<u>48,035,760</u>
Carrying amount of financial investments which recognised ECL	<u>470,305,132</u>	<u>1,286,735</u>	<u>861,778</u>	<u>472,453,645</u>
ECL allowances of financial assets measured at FVOCI	<u>(610)</u>	<u>–</u>	<u>–</u>	<u>(610)</u>
	As at 31 December 2020			Total
	Stage 1	Stage 2	Stage 3	
Financial assets measured at amortised cost	382,001,241	1,064,967	4,323,933	387,390,141
Less: ECL allowances	(1,062,189)	(437,574)	(2,725,889)	(4,225,652)
Carrying amount of financial assets measured at amortised cost	<u>380,939,052</u>	<u>627,393</u>	<u>1,598,044</u>	<u>383,164,489</u>
Carrying amount of debt instruments measured at FVOCI	<u>16,055,223</u>	<u>–</u>	<u>–</u>	<u>16,055,223</u>
Carrying amount of financial investments which recognised ECL	<u>396,994,275</u>	<u>627,393</u>	<u>1,598,044</u>	<u>399,219,712</u>
ECL allowances of financial assets measured at FVOCI	<u>(80)</u>	<u>–</u>	<u>–</u>	<u>(80)</u>

Notes to the Consolidated Financial Statements (Continued)

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21. FINANCIAL INVESTMENTS (Continued)

(4) Analysed by movements of ECL allowances

Financial assets measured at amortised cost

	For the year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	1,062,189	437,574	2,725,889	4,225,652
Transfer:				
From stage 1 to stage 2	(7,993)	7,993	–	–
From stage 2 to stage 3	–	(437,574)	437,574	–
ECL changes arisen from stage transfer	–	1,474	296,249	297,723
New financial assets originated or purchased	172,244	–	–	172,244
Derecognition or settlement	(317,836)	(519)	(650,628)	(968,983)
Remeasurement	280,097	–	–	280,097
Write-offs and others	–	–	(1,741,247)	(1,741,247)
As at 31 December 2021	<u>1,188,701</u>	<u>8,948</u>	<u>1,067,837</u>	<u>2,265,486</u>
	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	1,101,930	2,294,726	–	3,396,656
Transfer:				
From stage 2 to stage 1	5,606	(5,606)	–	–
From stage 2 to stage 3	–	(1,905,711)	1,905,711	–
ECL changes arisen from stage transfer	(4,855)	–	779,549	774,694
New financial assets originated or purchased	436,907	–	40,629	477,536
Derecognition or settlement	(418,346)	(154)	–	(418,500)
Remeasurement	(59,053)	54,319	–	(4,734)
As at 31 December 2020	<u>1,062,189</u>	<u>437,574</u>	<u>2,725,889</u>	<u>4,225,652</u>

Notes to the Consolidated Financial Statements (Continued)

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21. FINANCIAL INVESTMENTS (Continued)

(4) Analysed by movements of ECL allowances (Continued)

Financial assets measured at fair value through other comprehensive income

	For the year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	80	–	–	80
New financial assets originated or purchased	720	–	–	720
Derecognition or settlement	(182)	–	–	(182)
Remeasurement	(8)	–	–	(8)
As at 31 December 2021	<u>610</u>	<u>–</u>	<u>–</u>	<u>610</u>
	For the year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2020	778	–	–	778
New financial assets originated or purchased	80	–	–	80
Remeasurement	(778)	–	–	(778)
As at 31 December 2020	<u>80</u>	<u>–</u>	<u>–</u>	<u>80</u>

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For the year ended 31 December 2021

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22. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES

(1) Investment in subsidiaries

As at 31 December 2021, details of the Bank's subsidiaries are set out below:

Name of entity	Date of incorporation	Place of incorporation/ Principal place of operation	Registered and paid-in capital (RMB, million)	Proportion of equity interest (%)	Proportion of voting power in the general meeting (%)	Principal Activities/ Business scope
Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd.	23/04/2010	Jiangsu	200	58.50	58.50	Banking
Sichuan Dazhu CQRC Village and Township Bank Co., Ltd.	12/11/2010	Sichuan	100	81.00	81.00	Banking
Yunnan Dali CQRC Village and Township Bank Co., Ltd.	14/12/2010	Yunnan	200	90.00	90.00	Banking
Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd.	04/12/2012	Yunnan	100	100.00	100.00	Banking
Yunnan Heqing CQRC Village and Township Bank Co., Ltd.	09/01/2013	Yunnan	100	81.00	81.00	Banking
Guangxi Luzhai CQRC Village and Township Bank Co., Ltd.	09/01/2013	Guangxi	100	90.00	90.00	Banking
Fujian Shaxian CQRC Village and Township Bank Co., Ltd.	04/02/2013	Fujian	100	93.00	93.00	Banking
Fujian Fu'an CQRC Village and Township Bank Co., Ltd.	05/02/2013	Fujian	200	85.00	85.00	Banking
Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd.	23/04/2013	Yunnan	62	82.26	82.26	Banking
Fujian Pingtan CQRC Village and Township Bank Co., Ltd.	09/08/2013	Fujian	100	59.00	59.00	Banking
Fujian Shishi CQRC Village and Township Bank Co., Ltd.	02/09/2015	Fujian	200	51.00	51.00	Banking
Yunnan Xishan CQRC Village and Township Bank Co., Ltd.	05/01/2016	Yunnan	200	90.00	90.00	Banking
CQRC Financial Leasing Co., Ltd.	19/12/2014	Chongqing	2,500	80.00	80.00	Financial Leasing
CQRC Wealth Management Co., Ltd.	28/06/2020	Chongqing	2,000	100.00	100.00	Wealth Management

In addition to the above matters, the proportion of equity holding and proportion of voting rights in the board of directors remained the same as above for the year ended 31 December 2021.

All the 14 subsidiaries above were sponsored to establish by the Bank. As at 31 December 2021 and 31 December 2020, the amount of non-controlling interests of each subsidiary of the Bank was insignificant to the Group and hence not disclosed further.

There were no significant restrictions on the Bank's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

Notes to the Consolidated Financial Statements (Continued)

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22. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND STRUCTURED ENTITIES (Continued)

(2) Investment in associates

	As at 31 December 2021	As at 31 December 2020
Investment cost:		
Non-listed	450,328	450,000
Proportion of the Group in consolidated income and OCI after deducting profit distribution	<u>1,104</u>	<u>328</u>
	<u><u>451,432</u></u>	<u><u>450,328</u></u>

The financial position of Chongqing Xiaomi Consumer Finance Co., Ltd. is as follows:

	As at 31 December 2021 Total assets	This year Net profit
Chongqing Xiaomi Consumer Finance Co., Ltd.	<u><u>6,315,845</u></u>	<u><u>3,680</u></u>

The investment income enjoyed by the Group according to the financial position of Chongqing Xiaomi Consumer Finance Co., Ltd. is as follows:

	As at 31 December 2021	As at 31 December 2020
Net assets of associates	1,504,774	1,501,094
Shareholding ratio of the Group	<u>30.00%</u>	<u>30.00%</u>
Shares of net assets of the Group in associates	<u><u>451,432</u></u>	<u><u>450,328</u></u>

Chongqing Xiaomi Consumer Finance Co., Ltd. was established on 29 May 2020, with a registered capital of RMB1,500 million. The Bank holds 30% of its shares. The main business scope includes issuing personal consumer loans, accepting deposits from domestic shareholders and their domestic subsidiaries, lending to domestic financial institutions, authorised issuance of financial bonds, placements with-banks and other financial institutions, consumer financing advisory and agency services, agency sales of consumer loans related insurance products investment in fixed income securities.

There were no significant restrictions on the bank's or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

(3) The Group also consolidated structured entities as disclosed in Note 47 Structured Entities.

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(Amounts in thousands of Renminbi, unless otherwise stated)

23. PROPERTY AND EQUIPMENT

	Buildings	Electronic equipment	Motor vehicles	Furniture and fixtures	Construction in progress	Total
Cost						
As at 1 January 2020	7,068,071	1,331,436	98,669	805,920	552,578	9,856,674
Additions	107,399	211,399	280	197,401	226,805	743,284
Transferred in/out	214,188	28,942	1,212	50,134	(347,629)	(53,153)
Disposals	(116,387)	(140,555)	(3,402)	(41,823)	–	(302,167)
As at 31 December 2020	7,273,271	1,431,222	96,759	1,011,632	431,754	10,244,638
Additions	28,078	163,667	–	216,724	411,235	819,704
Transferred in/out	318,952	1,413	10,532	17,339	(393,972)	(45,736)
Disposals	(71,551)	(62,637)	(12,987)	(58,797)	–	(205,972)
As at 31 December 2021	7,548,750	1,533,665	94,304	1,186,898	449,017	10,812,634
Accumulated depreciation						
As at 1 January 2020	(3,189,983)	(957,143)	(91,225)	(644,439)	–	(4,882,790)
Charge for the year	(457,223)	(155,579)	(2,901)	(85,048)	–	(700,751)
Disposals	79,423	136,145	3,299	40,354	–	259,221
As at 31 December 2020	(3,567,783)	(976,577)	(90,827)	(689,133)	–	(5,324,320)
Charge for the year	(458,982)	(169,577)	(1,977)	(89,513)	–	(720,049)
Transferred out	8,864	–	–	–	–	8,864
Disposals	52,001	59,329	12,597	55,105	–	179,032
As at 31 December 2021	(3,965,900)	(1,086,825)	(80,207)	(723,541)	–	(5,856,473)
Carrying amount						
As at 31 December 2021	<u>3,582,850</u>	<u>446,840</u>	<u>14,097</u>	<u>463,357</u>	<u>449,017</u>	<u>4,956,161</u>
As at 31 December 2020	<u>3,705,488</u>	<u>454,645</u>	<u>5,932</u>	<u>322,499</u>	<u>431,754</u>	<u>4,920,318</u>

According to the relevant laws and regulations, subsequent to the Group's transformation into a joint stock company, the legal title of properties previously held by the predecessor entities are to be transferred to the Group. As at 31 December 2021, the registration transfer process of certain properties has not been completed. Management believes that the incomplete registration transfer process does not affect the rights of the Bank as the legal successor to those assets.

Notes to the Consolidated Financial Statements (Continued)

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24. RIGHT-OF-USE ASSETS

As at 31 December 2021, the right-of-use assets recognized by the Group mainly include operation buildings, and are mainly used for daily business. The depreciation expense for the year ended 31 December 2021 was amounting to RMB71 million (for the year ended 31 December 2020: RMB90 million), and the accumulated depreciation amounting to RMB117 million (for the year ended 31 December 2020: RMB156 million)

25. GOODWILL

	As at 31 December 2021	As at 31 December 2020
Cost and carrying amount	<u>440,129</u>	<u>440,129</u>

Particulars impairment testing on goodwill are disclosed in Note 26.

26. IMPAIRMENT TESTING ON GOODWILL

For the purpose of impairment testing, goodwill set out in Note 25 has been allocated to three individual cash generating units (CGUs), including corporate banking, personal banking and treasury operations. The carrying amounts of goodwill as at 31 December 2021 and 31 December 2020 allocated to these units are as follows:

	As at 31 December 2021	As at 31 December 2020
Corporate banking (Unit A)	234,934	234,934
Personal banking (Unit B)	108,019	108,019
Treasury operations (Unit C)	<u>97,176</u>	<u>97,176</u>
Total	<u>440,129</u>	<u>440,129</u>

During the years ended 31 December 2021 and 31 December 2020, the directors of the Bank determine that there is no impairment of any of its CGUs containing goodwill.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

The recoverable amount of corporate banking unit, personal banking unit and treasury operations unit has been determined based on calculation of a value in use. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. The future cash flow used is free cash flow to equity (FCFE), discounted by the cost of equity capital of 9.99% (31 December 2020: free cash flow to firm (FCFF), discounted by the weighted average cost of capital of 8.73%). The discount rate used reflects specific risks relating to the relevant CGUs. Cash flows beyond the five-year period are extrapolated using a 3% steady growth rate. This growth rate is based on the relevant domestic industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

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27. OTHER ASSETS

	Note	As at 31 December 2021	As at 31 December 2020
Interest receivable	(1)	27,904	26,414
Land use rights		369,050	384,865
Pre-paid tax		187,912	61,384
Foreclosed assets	(2)	39,042	79,506
Intangible assets	(3)	207,608	157,913
Others	(4)	879,740	1,104,264
Total		1,711,256	1,814,346

(1) Interest receivable

As at 31 December 2021 and 31 December 2020, the Group included the interests on financial instruments, accrued using the effective interest rate method, in the carrying amounts of the corresponding financial instruments, and recorded the interests on related financial instruments that had become due and receivable but not yet been received at the balance sheet date in interest receivable under other assets.

(2) Foreclosed assets

Analysis by type

	As at 31 December 2021	As at 31 December 2020
Land use rights and buildings	45,028	93,098
Allowance for impairment losses	(5,986)	(13,592)
Total	39,042	79,506

(3) Intangible assets are mainly computer software which are amortised over 10 years.

(4) The amounts mainly represent receivables from suppliers, decoration fees of leased assets, temporary payments of other receivables, deferred expenditure.

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28. BORROWINGS FROM CENTRAL BANK

As at 31 December 2021, borrowings from central bank mainly contain the Medium-term Lending Facilities from PBOC, PBOC special refinancing and refinancing for supporting agricultural and small companies. The Medium-term Lending Facilities from PBOC amounted to RMB46,000 million (31 December 2020: RMB42,300 million).

29. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2021	As at 31 December 2020
Deposits from domestic banks	3,193,688	32,979,174
Deposits from other domestic financial institutions	26,108,427	2,460,127
Total	29,302,115	35,439,301

Deposits from banks and other financial institutions are interest bearing at prevailing market interest rates.

30. PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2021	As at 31 December 2020
Placements from domestic banks and other financial institutions	34,094,542	26,029,948
Placements from overseas banks	–	670,051
Total	34,094,542	26,699,999

31. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2021	As at 31 December 2020
Analysed by collateral type:		
– Debt securities	7,600,489	499,707
– Bills	11,487,963	5,873,493
Total	19,088,452	6,373,200

All repurchase agreements are due within twelve months from inception.

Notes to the Consolidated Financial Statements (Continued)

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32. DEPOSITS FROM CUSTOMERS

	Note	As at 31 December 2021	As at 31 December 2020
Demand deposits			
Corporate customers		104,825,500	122,309,124
Individual customers		126,626,678	128,951,929
Time deposits			
Corporate customers		45,386,145	34,061,088
Individual customers		477,389,399	432,665,168
Pledged deposits	(1)	5,115,204	7,002,513
Others (Including remittance outstanding)		<u>17,310</u>	<u>9,992</u>
Total		<u>759,360,236</u>	<u>724,999,814</u>

(1) Analysed by products for which pledged deposits is required:

	As at 31 December 2021	As at 31 December 2020
Acceptances	2,733,200	3,401,115
Loans and receivables	1,419,182	1,366,301
Letters of credit	254,320	399,083
Letters of guarantee	61,236	114,645
Others	<u>647,266</u>	<u>1,721,369</u>
Total	<u>5,115,204</u>	<u>7,002,513</u>

Notes to the Consolidated Financial Statements (Continued)

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33. ACCRUED STAFF COSTS

	Note	As at 31 December 2021	As at 31 December 2020
Salaries, bonuses and allowances		2,212,437	2,231,526
Supplementary retirement benefits	(1)	2,426,844	1,818,630
Labor union fees and staff education expenses		295,815	258,211
Early retirement benefits	(2)	135,760	149,587
Annuity		100,060	100,060
Total		5,170,916	4,558,014

(1) Supplementary retirement benefits

The Group sponsors defined benefit plans for qualified employees. The defined benefit plans include supplementary retirement benefits.

The plans mainly expose the Group to actuarial risks such as: interest rate risk, longevity risk and employee benefit risk.

- Interest risk: A decrease in the bond interest rate will increase the plan liability.
- Longevity risk: The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality or survival ages of the participants both during and after their employment. An increase in the life expectancy of the participants will increase the plan's liability.
- Employee benefit risk: The present value of the defined benefit plan liabilities are calculated by reference to the future benefits of the participants. As such, an increase in the benefit of the participants will increase the plan's liability.

The Group's obligation in respect of the supplementary retirement benefits at the end of the reporting period was calculated using the projected accumulated unit credit method by Willis Towers Watson, an external independent actuary.

Supplementary retirement benefits include supplementary pension and medical benefits.

Notes to the Consolidated Financial Statements (Continued)

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33. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

The principal assumptions used for the purpose of the actuarial valuations for supplementary retirement benefits were as follows:

	As at 31 December 2021	As at 31 December 2020
Discount rate-supplementary retirement benefits	3.25%	3.75%
Discount rate-early retirement benefits	2.50%	3.00%
Annual growth rate of annuity payment	6.00%	6.00%
Annual average medical expenses inflation rate	7.00%	7.00%
Expected increase rate of cost of living for beneficiaries	4.50%	4.50%
Mortality rate	China Insurance Industry Experience Mortality Table 2010-2013	

Amounts recognised in comprehensive income in respect of the supplementary retirement benefits are as follows:

	As at 31 December 2021	As at 31 December 2020
Service cost:		
– Current service cost	49,010	28,510
– Past service cost	73,630	2,900
– New participants during the period	890	2,900
– Plan amendments (i)	72,740	–
Net interest expense	<u>82,780</u>	<u>62,680</u>
Components of supplementary retirement benefit costs recognised in profit or loss	<u>205,420</u>	<u>94,090</u>
Remeasurement on the net defined benefit liability	496,990	(90,059)
– Actuarial losses due to liability experience (i)	357,150	–
– Actuarial gains arising from changes in financial assumptions	<u>139,840</u>	<u>(90,059)</u>
Components of supplementary retirement benefit cost recognised in other comprehensive income	<u>496,990</u>	<u>(90,059)</u>
Total	<u><u>702,410</u></u>	<u><u>4,031</u></u>

Notes to the Consolidated Financial Statements (Continued)

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33. ACCRUED STAFF COSTS (Continued)

(1) Supplementary retirement benefits (Continued)

- (i) The changes resulting from the plan amendments recognised in profit or loss and the remeasurement of the net liabilities of the defined benefit plan are mainly caused by the increase of premium of supplemental medical insurance provided by the Group to its employees.

Movement in the present value of the supplementary retirement benefit obligation in the current year were as follows:

	As at 31 December 2021	As at 31 December 2020
Defined benefit obligation at the beginning of the year	1,818,630	1,907,119
Interest cost	82,780	62,680
Loss arising from re-measurement on the defined benefit liability:		
– Actuarial loss arising from differences in experience	357,150	–
– Actuarial loss/(gain) arising from changes in financial assumptions	139,840	(90,059)
Current service cost	49,010	28,510
Past service cost	73,630	2,900
New participants during the period	890	2,900
Plan amendments	72,740	–
Benefits paid	(94,196)	(92,520)
Defined benefit obligation at the end of the year	<u>2,426,844</u>	<u>1,818,630</u>

(2) Early retirement benefits

Early retirement benefits include basic salary and allowance paid monthly/annually, social insurance contribution and housing fund, and supplemental medical benefits in excess of the statutory level paid by the government-mandated basic medical program to original and new retired staff until they reach their normal retirement age.

For the year ended 31 December 2021, the Group incurred RMB32 million (2020: returned RMB4 million), and paid RMB46 million (2020: RMB43 million) in respect of the early retirement benefits plan.

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34. DEBT SECURITIES ISSUED

	Note	As at 31 December 2021	As at 31 December 2020
Interbank certificates of deposit issued	(1)	202,866,702	143,748,381
Bonds issued	(2)	<u>22,387,708</u>	<u>29,429,828</u>
Total		<u>225,254,410</u>	<u>173,178,209</u>

(1) As at 31 December 2021 and 31 December 2020, the tenor of the outstanding certificates of deposit issued by the Bank in the China Domestic Internal Bond Market was 1 to 12 months.

(2) As approved by the PBOC and CBIRC, the Bank issued green financial bonds of RMB1,000 million on 3 June 2021.

As approved by the PBOC and CBIRC, the Bank issued green financial bonds of RMB2,000 million on 3 June 2021.

As approved by the PBOC and CBIRC, the Bank issued green financial bonds of RMB2,000 million on 5 November 2020.

As approved by the PBOC and CBIRC, the Bank issued financial bonds of RMB8,000 million on 12 March 2020.

As approved by the PBOC and CBIRC, the Bank issued special financial bonds for “agriculture, rural areas and farmers” of RMB2,000 million on 9 January 2020.

As approved by the PBOC and CBIRC, the Bank issued callable tier-two capital bonds of RMB5,000 million on 13 June 2019.

As approved by the PBOC and CBIRC, CQRC Financial Leasing Co., Ltd., the subsidiary of the Bank, issued financial bonds of RMB2,000 million on 1 April 2019.

(3) During the years ended 31 December 2021 and 31 December 2020, the Bank has no defaults on payments related to principle or interest or other defaults of debt securities issued.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

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35. DEFERRED TAXATION

(1) Recognised deferred tax assets and liabilities which have not been offset:

	As at 31 December 2021	
	Deferred tax assets/ (liability)	Deductible/ (taxable) temporary differences
Deferred tax assets		
ECL allowances	8,495,790	33,983,160
Accrued and unpaid staff cost	632,381	2,529,523
Retirement benefits	244,937	979,749
Adjustment of book value of assets and liabilities on the date of establishment	26,631	106,525
Government grants	18,912	75,649
Provision	76,365	305,460
Others	45,068	180,273
	<u>9,540,084</u>	<u>38,160,339</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(42,302)	(169,210)
Changes in fair value of financial instruments	(185,182)	(740,726)
Depreciation expense and others	(125,246)	(500,985)
	<u>(352,730)</u>	<u>(1,410,921)</u>
Net	<u><u>9,187,354</u></u>	<u><u>36,749,418</u></u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

35. DEFERRED TAXATION (Continued)

(1) Recognised deferred tax assets and liabilities which have not been offset: (Continued)

	As at 31 December 2020	
	Deferred tax assets/ (liability)	Deductible/ (taxable) temporary differences
Deferred tax assets		
ECL allowances	6,728,456	26,913,820
Accrued and unpaid staff cost	612,908	2,451,633
Retirement benefits	129,663	518,653
Adjustment of book value of assets and liabilities on the date of establishment	27,508	110,030
Government grants	19,562	78,247
Changes in fair value of financial instruments	76,495	305,981
Provision	62,897	251,589
Others	38,674	154,698
	<u>7,696,163</u>	<u>30,784,651</u>
Deferred tax liabilities		
Adjustment of book value of assets and liabilities on the date of establishment	(43,404)	(173,617)
Depreciation expense and others	(114,115)	(456,460)
	<u>(157,519)</u>	<u>(630,077)</u>
Net	<u><u>7,538,644</u></u>	<u><u>30,154,574</u></u>

Notes to the Consolidated Financial Statements (Continued)

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35. DEFERRED TAXATION (Continued)

- (2) The followings are the major deferred tax assets and liabilities recognised and movements thereon:

	ECL allowances	Retirement benefits	Accrued staff cost	Provision	Changes in fair value of financial instruments	Government grants	Others	Total
As at 1 January 2021	6,728,455	129,663	612,908	62,897	76,495	19,562	(91,336)	7,538,644
Charge to profit or loss	1,767,335	(8,922)	19,473	13,468	(57,595)	(650)	(4,023)	1,729,086
Charge to other comprehensive income	-	124,196	-	-	(204,082)	-	(490)	(80,376)
As at 31 December 2021	<u>8,495,790</u>	<u>244,937</u>	<u>632,381</u>	<u>76,365</u>	<u>(185,182)</u>	<u>18,912</u>	<u>(95,849)</u>	<u>9,187,354</u>
As at 1 January 2020	5,141,016	161,182	583,675	100,905	(53,176)	20,211	(39,516)	5,914,297
Charge to profit or loss	1,587,439	(9,004)	29,233	(38,008)	29,683	(649)	(55,632)	1,543,062
Charge to other comprehensive income	-	(22,515)	-	-	99,988	-	3,812	81,285
As at 31 December 2020	<u>6,728,455</u>	<u>129,663</u>	<u>612,908</u>	<u>62,897</u>	<u>76,495</u>	<u>19,562</u>	<u>(91,336)</u>	<u>7,538,644</u>

36. OTHER LIABILITIES

	Note	As at 31 December 2021	As at 31 December 2020
Other payables	(1)	4,998,525	5,106,230
Deferred income	(2)	609,853	658,981
Tax payables (excluding corporate income tax payable)	(3)	538,843	421,094
Dividends payable		44,160	44,801
Provision	(4)	<u>305,460</u>	<u>251,589</u>
Total		<u>6,496,841</u>	<u>6,482,695</u>

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

36. OTHER LIABILITIES (Continued)

(1) Other payables

	As at 31 December 2021	As at 31 December 2020
Leasing business related payables	3,144,633	2,713,167
Payables from providing agency services	1,045,837	1,358,035
Items in process of clearing and settlement	124,482	288,028
Long term loans	(i) 34,401	35,904
Others	<u>649,172</u>	<u>711,096</u>
Total	<u>4,998,525</u>	<u>5,106,230</u>

- (i) The amounts represent special-purpose loans from International Fund for Agriculture Development (“IFAD”) to support the petty loans in the PRC.

As at 31 December 2021 and 31 December 2020, the loans bear a fixed interest rate of 0.75% per annum. At 31 December 2021, these loans have 23 years to maturity. The terms are similar to the related loans granted to customers.

(2) Deferred income

Deferred income mainly represents deferred financial leasing income and government grants, for which the income will be amortised and recognised over the periods necessary to match them with the related costs.

	As at 31 December 2021	As at 31 December 2020
Deferred leasing income	500,394	532,810
Government grants	74,392	76,881
Fee and commission	32,380	44,109
Operating leasing	2,687	5,066
Others	<u>—</u>	<u>115</u>
Total	<u>609,853</u>	<u>658,981</u>

Notes to the Consolidated Financial Statements (Continued)

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36. OTHER LIABILITIES (Continued)

(3) Tax payables (excluding corporate income tax payable)

	As at 31 December 2021	As at 31 December 2020
Value added tax	479,905	367,584
Urban maintenance and construction tax	28,863	24,758
Individual income tax	7,626	6,038
Others	22,449	22,714
Total	538,843	421,094

(4) Provision

Provision mainly contains provision for credit impairment allowance due to loan commitments. As at 31 December 2021, the provisions for the Group's guarantees and commitments are mainly in stage 1.

37. SHARE CAPITAL

	Number of shares (in thousands)	Amount
As at 31 December 2020	11,357,000	11,357,000
As at 31 December 2021	<u>11,357,000</u>	<u>11,357,000</u>

The Bank accomplished its initial public offering of A shares on the Shanghai Stock Exchange on 29 October 2019. The Bank issued 11,357 million A shares with a face value of RMB1 per share, resulting in a share capital increased to 11,357 million.

Notes to the Consolidated Financial Statements (Continued)

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38. OTHER EQUITY INSTRUMENTS

Financial instruments in issued	Dividend rate	Issued price (RMB yuan)	Issued number of shares (millions)	Issued nominal value (millions)	Maturity date
2021 Chongqing Rural Commercial Bank Perpetual Bond (1)	4% per annum for the first 5 years after issuance, and reset every 5 years as stated below	100	40	4,000	No maturity date

- (1) With the authorization of the annual general meeting and the approval from regulatory authorities, the Bank was permitted to issue perpetual bond of an amount no more than RMB8,000 billion.

The Bank issued perpetual bond with the amount of RMB4 billion in the national interbank bond market on 24 August 2021, and the issuance was completed on 26 August 2021. The denomination of the Bonds is RMB100 each. The Bonds don't have any step-up mechanism or any other incentive to redeem. The distribution rate of the Bonds will be adjusted at defined intervals and determined by a benchmark rate plus a fixed spread, with a distribution rate adjustment period every 5 years, and the annual coupon rate for the first five years is 4.00%.

The duration of the perpetual bond is the same as the continuing operation of the Bank. Subject to the satisfaction of the redemption conditions and having obtained the prior approval of the CBIRC, the Bank may redeem the bond in whole or in part on each distribution payment date from the fifth anniversary since the issuance date of the bond. Upon the occurrence of a Non-Viability Triggering Event, the Bank has the right to write down/write off in whole or in part, without the need for the consent of the holders of the bonds, the principal amount of the bonds. The claims of the holders of the Bonds will be subordinated to the claims of depositors, general creditors and subordinated indebtedness that ranks senior to the bond; and shall rank in priority to all classes of shares held by shareholders and will rank pari passu with the claims in respect of any other additional tier 1 capital instruments of the Bank that rank pari passu with the bond.

The distributions on the perpetual bond are non-cumulative. The Bank shall have the right to cancel distributions on the bond in whole or in part and any such cancellation shall not constitute an event of default. The Bank may at its discretion use the proceeds from the cancelled distribution to meet other obligations as they fall due. But the Bank shall not make any distribution to ordinary shareholders until its decision to resume the distribution payments in whole to the holders of the bond.

The net proceeds from the issuance of the perpetual bond after deducting offering related expenses were used to replenish the Bank's additional tier 1 capital.

Notes to the Consolidated Financial Statements (Continued)

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38. OTHER EQUITY INSTRUMENTS (Continued)

The carrying amount, net of direct issuance expenses, was RMB3,998 million as at 31 December 2021.

Equity attributable to holders of other equity instruments

	As at 31 December 2021	As at 31 December 2020
Total equity attributable to equity holders of the parent company	104,952,779	93,668,734
Equity attributable to ordinary shareholders of parent company	100,954,441	93,668,734
Equity attributable to other equity holders of the parent company	3,998,338	—
Total equity attributable to non-controlling interests	1,531,365	1,403,476
Equity attributable to non-controlling interests of ordinary shares	<u>1,531,365</u>	<u>1,403,476</u>

39. CAPITAL RESERVE

The Bank issued shares at a premium. Share premium was recorded in the capital reserve after deducting direct issuance costs which mainly included underwriting fees and professional fees. Where the Bank acquired equity interests from non-controlling shareholders, which is assessed as equity transactions. The difference between fair value of any considerations paid and the relevant share acquired of the carrying amount of net assets of the subsidiary was recorded in capital reserve.

The acquisition of additional interests from the non-controlling shareholders of its subsidiaries is equity transaction. The capital premium of discount amount was charged to capital reserve.

Capital reserve of the Bank included the premium of RMB910 million from the placement of ordinary shares in 2010, the premium of RMB7,706 million from the initial public offering of overseas listed foreign shares on the Hong Kong Stock. Exchange in 2010, the premium of RMB3,291 million from the placement of ordinary shares in 2017, and the premium of RMB8,531 million from the initial public offering of A shares on the Shanghai Stock Exchange in 2019. The equity premium excluding direct issue costs is included in capital reserve. Direct issue costs mainly include underwriting fees and professional agency service fees.

Notes to the Consolidated Financial Statements (Continued)

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40. INVESTMENT REVALUATION RESERVE

	Pre-tax amount	Tax impact	Net-of-tax amount
As at 1 January 2020	(142,076)	35,518	(106,558)
Fair value (loss)/gain for the year			
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(307,331)	76,833	(230,498)
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at FVOCI	(107,869)	26,967	(80,902)
As at 31 December 2020	(557,276)	139,318	(417,958)
Fair value (loss)/gain for the year			
Amount reclassified to profit or loss upon disposal of financial assets measured at FVOCI	602,241	(150,560)	451,681
Amount that cannot be reclassified to profit or loss upon disposal of financial assets measured at FVOCI	222,290	(54,012)	168,278
Transfer from investment revaluation reserve to retained earnings	(6,241)	–	(6,241)
As at 31 December 2021	261,014	(65,254)	195,760

41. SURPLUS RESERVE

Under the relevant PRC Laws, the Bank and its subsidiaries are required to transfer 10% of its net profit to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserves has reached 50% of the share capital.

After making the appropriation to the statutory surplus reserve, the Bank may also appropriate its profit for the period determined under the Generally Accepted Accounting Principles of the PRC (“PRC GAAP”) to the discretionary surplus reserve upon approval by the shareholders in the general meetings. The discretionary surplus reserve may be used to offset accumulated loss of the Bank, if any, and may be converted into capital.

For the year ended 31 December 2021, the Board of Directors of the Bank proposed to appropriate approximately RMB861 million to the statutory surplus reserve (2020: RMB786 million). The Bank does not propose any appropriation to discretionary surplus reserve (2020: Nil). It is pursuant to the approval by the shareholders in forthcoming general meeting.

Notes to the Consolidated Financial Statements (Continued)

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42. GENERAL RESERVE

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Cai Jin [2012] No. 20) issued by the Ministry of Finance of the People's Republic of China, in addition to the allowances for impairment losses, the Bank and its subsidiaries are required to establish and maintain a general reserve within equity to address potential unidentified impairment losses. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the above measures.

During the year ended 31 December 2021, the Bank transferred RMB1,666 million to general reserve pursuant to the regulatory requirement (during the year ended 31 December 2020: RMB1,702 million). It is pursuant to the approval by the shareholders in forthcoming general meeting.

43. RETAINED EARNINGS

The movements of retained earnings of the Bank are set out below:

	2021	2020
Retained earnings at the beginning of the year	35,062,157	31,891,253
Profit for the year	8,608,359	7,862,538
Appropriation to surplus reserve	(860,836)	(786,254)
Appropriation to general reserve	(1,702,428)	(1,293,270)
Dividends recognised as distribution	(2,521,254)	(2,612,110)
Other comprehensive income transferred to retained earnings	6,241	–
Retained earnings at the end of the year	<u>38,592,239</u>	<u>35,062,157</u>

44. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include the following balances with an original maturity of less than three months:

	As at 31 December 2021	As at 31 December 2020
Cash	2,908,109	3,144,929
Surplus reserve deposits with central bank	8,893,289	5,702,967
Deposits with banks and other financial institutions	9,384,247	8,856,396
Placements with banks and other financial institutions	14,200,000	260,000
Financial assets held under resale agreements	399,780	1,303,846
Total	<u>35,785,425</u>	<u>19,268,138</u>

Notes to the Consolidated Financial Statements (Continued)

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45. SEGMENT ANALYSIS

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors and relevant management committees (chief operating decision maker) for the purposes of allocating resources to segments and assessing their performance. The Group operates mainly in Chongqing, the PRC. Majority of its customers and non-current assets are located in Chongqing, the PRC. The Group's chief operating decision maker reviews financial information based on business activities for the purpose of allocating resources and performance assessment.

The measurement of segment assets and liabilities, segment income and results is based on the Group's accounting policies in accordance with accounting rules and financial regulations applicable to PRC enterprises. There is no significant difference between the segment accounting policies and the policies applied in preparing the consolidated financial statements.

Internal charges and transfer pricing are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "inter-segment interest income/expense". Interest income and expense earned from third parties are referred to as "external interest income/expense".

The Group has no major customers which contribute 10 percent or more of the Group's income.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Operating segment

The Group provides a diversified range of banking and related financial services. The products and services offered to customers are organised into three operating segments:

Corporate banking

The corporate banking segment provides financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit takings, financial leasing and other types of corporate intermediary services.

Personal banking

The personal banking segment provides financial products and services to individual customers. The products and services include personal loans, deposit products, card business, personal wealth management services and other types of personal intermediary services.

Financial market operations

The Group's financial market operations segment conducts money market or repurchase transactions and debt instruments investment for its own accounts or on behalf of customers.

Notes to the Consolidated Financial Statements (Continued)

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45. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

	For the year ended 31 December 2021					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	14,740,640	15,048,595	21,959,868	51,749,103	-	51,749,103
External interest expense	(2,333,695)	(12,426,718)	(10,753,890)	(25,514,303)	-	(25,514,303)
Inter-segment interest (expense)/ income	(3,304,761)	9,281,332	(5,976,571)	-	-	-
Net interest income	9,102,184	11,903,209	5,229,407	26,234,800	-	26,234,800
Fee and commission income	691,915	658,038	1,552,039	2,901,992	-	2,901,992
Fee and commission expense	(30,273)	(102,093)	(45,423)	(177,789)	-	(177,789)
Net fee and commission income	661,642	555,945	1,506,616	2,724,203	-	2,724,203
Net trading gain	-	-	1,239,062	1,239,062	-	1,239,062
Share of result of associates	-	-	-	-	1,104	1,104
Other operating income, net	447,084	38,471	27,160	512,715	13,611	526,326
Net gains on derecognition of financial assets measured at FVOCI	-	-	119,177	119,177	-	119,177
Net gains on derecognition of financial assets measured at amortised cost	-	-	5,005	5,005	-	5,005
Operating income	10,210,910	12,497,625	8,126,427	30,834,962	14,715	30,849,677
Operating expenses	(2,873,343)	(3,604,804)	(2,317,550)	(8,795,697)	-	(8,795,697)
Credit impairment losses	(8,530,433)	(2,569,122)	247,419	(10,852,136)	-	(10,852,136)
Impairment losses on other assets	(1,209)	-	-	(1,209)	-	(1,209)
Profit before tax	(1,194,075)	6,323,699	6,056,296	11,185,920	14,715	11,200,635
Income tax expense						(1,482,281)
Profit for the year						<u>9,718,354</u>
Depreciation and amortisation included in operating expenses	271,089	340,100	218,653	829,842	-	829,842
Capital expenditure	<u>287,696</u>	<u>360,933</u>	<u>232,046</u>	<u>880,675</u>	-	<u>880,675</u>
	As at 31 December 2021					
Segment assets	281,162,396	267,314,089	702,606,599	1,251,083,084	15,208,115	1,266,291,199
Segment liabilities	162,092,536	606,500,322	389,519,398	1,158,112,256	1,694,799	1,159,807,055
Supplementary information						
Credit commitments	<u>12,621,579</u>	<u>25,307,310</u>	<u>-</u>	<u>37,928,889</u>	<u>-</u>	<u>37,928,889</u>

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45. SEGMENT ANALYSIS (Continued)

Operating segment (Continued)

	For the year ended 31 December 2020					
	Corporate banking	Personal banking	Financial market operations	Segment total	Unallocated	Total
External interest income	13,952,186	11,585,790	20,321,005	45,858,981	-	45,858,981
External interest expense	(1,909,615)	(12,077,844)	(7,622,652)	(21,610,111)	-	(21,610,111)
Inter-segment interest (expense)/ income	(3,472,420)	9,941,644	(6,469,224)	-	-	-
Net interest income	8,570,151	9,449,590	6,229,129	24,248,870	-	24,248,870
Fee and commission income	715,313	1,488,564	806,746	3,010,623	-	3,010,623
Fee and commission expense	(36,800)	(44,447)	(26,512)	(107,759)	-	(107,759)
Net fee and commission income	678,513	1,444,117	780,234	2,902,864	-	2,902,864
Net trading gain	-	-	767,456	767,456	-	767,456
Share of result of associates	-	-	-	-	328	328
Other operating income, net	71,962	59,284	68,990	200,236	24,595	224,831
Net gains on derecognition of financial assets measured at FVOCI	-	-	36,555	36,555	-	36,555
Net gains on derecognition of financial assets measured at amortised cost	-	-	1,002	1,002	-	1,002
Operating income	9,320,626	10,952,991	7,883,366	28,156,983	24,923	28,181,906
Operating expenses	(2,678,391)	(3,253,834)	(1,977,208)	(7,909,433)	-	(7,909,433)
Credit impairment losses	(7,603,252)	(1,697,810)	(908,618)	(10,209,680)	-	(10,209,680)
Profit before tax	(961,017)	6,001,347	4,997,540	10,037,870	24,923	10,062,793
Income tax expense						(1,498,020)
Profit for the year						8,564,773
Depreciation and amortisation included in operating expenses	287,736	349,557	212,410	849,703	-	849,703
Capital expenditure	267,563	325,048	197,517	790,128	-	790,128
	2020年12月31日					
Segment assets	272,591,604	210,513,240	639,730,733	1,122,835,577	13,530,995	1,136,366,572
Segment liabilities	169,739,455	563,635,428	305,680,556	1,039,055,439	2,238,923	1,041,294,362
Supplementary information Credit commitments	15,430,825	21,959,923	-	37,390,748	-	37,390,748

Unallocated assets mainly include property and equipment of the Group, equity investments, goodwill and deferred tax assets. Unallocated liabilities mainly include tax liabilities and dividends payable.

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46. RELATED PARTY TRANSACTIONS

(1) Related parties of the Group

The directors of the Bank consider that the following shareholders are related parties of the Group:

Name of shareholders	Percentage of shares holding of the Bank (%)	
	As at 31 December 2021	As at 31 December 2020
Chongqing Yufu Capital Operation Group Co., Ltd. (重慶渝富資本運營集團有限公司)	8.70	8.70
Chongqing City Construction Investment (Group) Co., Ltd (重慶市城市建設投資(集團)有限公司)	7.02	7.02
Chongqing Development and Real Estate Management Co., Ltd. (重慶發展置業管理有限公司)	5.19	5.19
Loncin Holdings Co., Ltd. (隆鑫控股有限公司)	5.02	5.02
Xiamen Gaoxinhong Equity Investment Co., Ltd. (廈門市高鑫泓股權投資有限公司)	1.66	1.76
Chongqing Casin Group Co., Ltd. (重慶財信企業集團有限公司)	(a) 1.41	3.90
Shanghai Yuyuan Tourist Mart (Group) Co.,Ltd. (上海豫園旅遊商城(集團)股份有限公司)	1.33	1.33
Chongqing Yerui Property Development Co., Ltd. (重慶業瑞房地產開發有限公司)	(a) 0.93	1.32
Beijing Jiuding Real Estate Co., Ltd. (北京九鼎房地產開發有限責任公司)	(a) —	1.64

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46. RELATED PARTY TRANSACTIONS (Continued)

(1) Related parties of the Group (Continued)

- (a) The company was a shareholder related party of the Group in the past 12 months.

Other related parties include key management members and their close family members; the enterprises directly or indirectly controlled by key management members and their close family members or served by key management members and their close family members as directors or senior management; staffs with credit approval authority and their close family members; the enterprises directly or indirectly controlled by staffs with credit approval authority and their close family members or served by staffs with credit approval authority and their close family members as directors or senior management; the enterprises related to shareholders with more than 5% (including 5%) shares of the Bank, or shareholders who hold less than 5% of the total shares or capital but have significant influence on the Bank's operation and management; the natural persons or legal entities who satisfy any circumstances above in the next 12 months in accordance with the relevant agreement and arrangement or in the past 12 months.

(2) Related party transactions

For the year ended 31 December 2021, the Group entered into the following material transactions with related parties:

	Interest income		Interest expense	
	2021	2020	2021	2020
Shareholders of the Bank	176,815	210,138	15,941	16,214
Other related parties	544,628	536,357	255,506	218,631
Total	721,443	746,495	271,447	234,845

Other than interest income, fee and commission income of the Group arising from related party transactions for the years ended 31 December 2021 and 2020 was not significant either individually or in aggregate.

The amount of lease expense or income incurred by the Group with related parties was not significant for the years ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

46. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions (Continued)

At the end of each reporting period, the Group had the following material outstanding balances with related parties:

	Loans and advances to related parties		Customer deposits from related parties	
	As at 31 December 2021	As at 31 December 2020	As at 31 December 2021	As at 31 December 2020
Shareholders of the Bank	3,208,498	4,883,474	782,725	921,291
Other related parties	<u>9,751,039</u>	<u>11,713,833</u>	<u>22,159,390</u>	<u>21,150,309</u>
Total	<u>12,959,537</u>	<u>16,597,307</u>	<u>22,942,115</u>	<u>22,071,600</u>

For the year ended 31 December 2021, the Group wrote off the loans of Loncin Holdings Co., Ltd. amounted to RMB1,392 million.

	Guarantee provided by related guarantee companies	
	31 December 2021	31 December 2020
Loans and advances guaranteed by related guarantee companies	16,628,444	21,171,950
Financial investments guaranteed by related guarantee companies	<u>2,598,700</u>	<u>2,810,700</u>

As at 31 December 2021, trust plans with a principal amount of RMB1,400 million were invested to related parties of the Bank (31 December 2020: RMB1,429 million), bonds and interbank deposit certificates with a principal amount of RMB1,995 million were issued by related parties and purchased by the Bank (31 December 2020: RMB1,265 million), which are accounted in financial assets measured at amortised cost; debt securities with a principal amount of RMB300 million were issued by related parties and purchased by the Bank (31 December 2020: nil), equity instruments with a fair value of RMB678 million were issued by related parties (31 December 2020: RMB34 million), which are accounted in financial assets measured at fair value through other comprehensive income; debt securities with a principal amount of RMB753 million were issued by related parties and purchased by the Bank, which are accounted in financial assets measured at fair value through profit and loss (31 December 2020: nil).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

46. RELATED PARTY TRANSACTIONS (Continued)

(2) Related party transactions (Continued)

As at 31 December 2021, the principal balance of the Bank's deposits and placements with related parties was RMB724 million (31 December 2020: RMB2,209 million).

The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority. The impairment of the investments and loans in related parties was assessed using expected credit loss (ECL) model, the same as regular investments and loans.

(3) Transactions between the Bank and its subsidiaries

There are various types of related party transactions between the Bank and its subsidiaries. The conditions and prices of these transactions are determined on the basis of market price and normal business procedure or contractual terms. They are examined and approved in accordance with the transaction type and content by corresponding decision-making authority.

For the years ended 31 December 2021 and 2020, transactions between the Bank and its subsidiaries include deposits with banks, deposits from banks, placement with banks and other financial institutions, debt securities investment, WMP investment and so forth.

As at 31 December 2021, the Bank's deposits with subsidiaries amounted to RMB573 million (31 December 2020: RMB381 million); the Bank's deposits from subsidiaries amounted to RMB599 million (31 December 2020: RMB922 million); the Bank's placements with subsidiaries amounted to RMB5,230 million (31 December 2020: RMB4,650 million); the Bank's bond investments issued by subsidiaries amounted to RMB100 million (31 December 2020: RMB100 million); the Bank's non-principal guaranteed WMP investments issued by subsidiaries amounted to RMB1,580 million (31 December 2020: RMB1,000 million).

For the year ended 31 December 2021, the interest income of the Bank's transactions with subsidiaries amounted to RMB172 million (2020: RMB160 million); the interest expense amounted to RMB18 million (2020: RMB18 million).

For the year ended 31 December 2021, the Bank's rental income from leasing buildings to subsidiaries was RMB2 million (2020: nil).

Other than the transactions above, outstanding balances with subsidiaries as at 31 December 2021 and 2020 was not significant.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

46. RELATED PARTY TRANSACTIONS (Continued)

(4) Key management personnel

Key management personnel are those persons in the Group who have the authority and responsibility to plan, direct and control the activities of the Bank or the Group.

The remuneration of directors and other members of key management during the year were as follows:

	2021	2020
Paid remuneration(before tax)	2,363	2,343
Part-time fee	1,148	1,185
Contribution to pension schemes	889	569
Other monetary income	190	206
Total	4,590	4,303

Certain key management personnel's final emoluments for the current year are subject to approval by relevant authorities in the PRC and have not been finalised. Management of the Group believes that difference in emoluments will not have significant impact on the consolidated financial statements of the Group as at 31 December 2021. The disclosed amount of remuneration is the amount paid in current year. The amount of actual remuneration will be announced after approval.

For the year ended 31 December 2021, both the loans made to key management personnel and their relatives, and the corresponding interest income are not material.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. STRUCTURED ENTITIES

(1) Unconsolidated structured entities managed by the Group

Unconsolidated structured entities managed by the Group consist primarily of collective investment vehicles (“WMP Vehicles”) formed to issue and distribute wealth management products (“WMPs”), which are not subject to any guarantee by the Group of the principal invested or interest to be paid. The WMP Vehicles invest in a range of primarily fixed-rate assets, most typically money market instruments and debt securities. As the manager of WMPs, the Group invests, on behalf of its customers, the funds raised in the assets as described in the contract related to each WMP and distribute gain to investors on the basis of the operation performance of those products. The variable return that the Group has in relation to the WMPs is not significant, therefore the WMP Vehicles are not consolidated by the Group.

As at 31 December 2021 and 31 December 2020, the outstanding WMPs issued by the Group amounted to RMB120,319 million and RMB137,255 million, respectively, which represent the total size of the WMP vehicles. The interest of the Group from the operation of the WMPs mainly consists of fee and commission income. For the year ended 31 December 2021, the Group’s interest in the non-guaranteed WMP Vehicles included in Fee and Commission Income was RMB1,638 million (2020: RMB1,912 million).

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group’s risk from or reduce its interest in WMP vehicles disclosed above during the years ended 31 December 2021 and 2020. The Group is not required to absorb any loss incurred by WMPs before other parties.

In July 2020, the regulators announced the extension to the end of 2021 of the transition period set out in the Guiding Opinions on Improving the Compliance of the Asset Management Operations of Financial Institutions, encouraging financial institutions to adopt a combination of methods to dispose their existing portfolio, including assumption in the new products, market-oriented transfer, and/or recognition in the balance sheet. According to regulatory requirements, the Bank pragmatically, efficiently, actively and orderly promotes net worth product, asset standardization, disposal of existing portfolio, etc., and strives to achieve the smooth transition and steady development of wealth management business.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. STRUCTURED ENTITIES (Continued)

(2) Unconsolidated structured entities held by the Group

The Group invests in several other unconsolidated structured entities that are sponsored and managed by other entities for investment return, and records trading gain or loss and interest income therefrom. As at 31 December 2021 and 31 December 2020, the Group's maximum exposure to these other unconsolidated structured entities is summarised in the table below.

	As at 31 December 2021		
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Maximum exposure to credit risk
Investment in wealth management products	826,838	–	826,838
Funds	31,626,966	–	31,626,966
Trust beneficial rights	1,478,720	5,234,938	6,713,658
Asset-backed securities	–	73,019,447	73,019,447
Asset management plans	8,640,699	–	8,640,699
Total	42,573,223	78,254,385	120,827,608

	As at 31 December 2020		
	Financial assets measured at fair value through profit or loss	Financial assets measured at amortised cost	Maximum exposure to credit risk
Investment in wealth management products	2,265,065	–	2,265,065
Funds	21,028,362	–	21,028,362
Trust beneficial rights	–	6,780,468	6,780,468
Asset-backed securities	–	49,984,950	49,984,950
Total	23,293,427	56,765,418	80,058,845

The underlying assets of trust beneficial rights and asset-backed securities primarily include trust loans and credit assets, the underlying assets of investment in wealth management products, funds and asset management plan primarily includes interbank assets and bonds. Asset-backed securities were all issued by financial institutions.

Information of the total size of the unconsolidated Structured Entities of the Group listed above is not readily available from the public.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

47. STRUCTURED ENTITIES (Continued)

(3) Consolidated structured entities

The non-principal guaranteed WMPs issued by CQRC Wealth Management Company Limited is consolidated by the Group at 31 December 2021, which amounted to RMB1,580 million (31 December 2020: RMB1,000 million). During the year 2021 and 2020, the Group did not provide financial support to the consolidated structured entities.

48. CONTINGENT LIABILITIES AND COMMITMENTS

Legal proceedings

The Group is involved as defendants in certain lawsuits arising from its normal business operations. As at 31 December 2021, provisions of 4.36 million were made based on court judgements or the advice of counsels (31 December 2020: RMB1.59 million). The directors of the Bank believe, based on legal advice, that the result of these lawsuits will not have a material impact on the financial position or operations of the Group.

Capital commitments

	As at 31 December 2021	As at 31 December 2020
Contracted but not provided for	<u>448,160</u>	<u>501,665</u>

Credit commitments

	As at 31 December 2021	As at 31 December 2020
Acceptances	6,807,611	9,236,861
Undrawn credit card limit	25,307,309	21,959,923
Letters of guarantee	3,433,586	3,799,237
Letters of credit issued	<u>2,380,383</u>	<u>2,394,727</u>
Total	<u>37,928,889</u>	<u>37,390,748</u>

Credit commitments represent general facility limits granted to customers. These credit facilities may be drawn in the form of loans and advances or through the issuance of letters of credit, acceptances or letters of guarantee.

The Group grants loan commitments to specific customers. The directors of the Group are of the opinion that such commitments are conditional and revocable and are therefore not included in the commitment's disclosure above.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

48. CONTINGENT LIABILITIES AND COMMITMENTS (Continued)

Credit risk weighted amounts for credit commitments

	As at 31 December 2021	As at 31 December 2020
Credit commitments	<u>13,144,084</u>	<u>15,577,978</u>

The credit risk weighted amounts are the amounts calculated in accordance with the guidelines issued by the CBIRC and are dependent on, among other factors, the creditworthiness of the counterparty and the maturity characteristics. The risk weightings used range from 0% to 100%, for contingent liabilities and commitments.

Operating lease commitments

As at 31 December 2021 and 2020, the Group's operating lease commitments not recognized as lease liabilities are not significant.

Collateral

Assets pledged as collateral

The carrying amount of assets pledged as collateral under repurchase agreement and borrowings from central bank by the Group is as follows:

	As at 31 December 2021	As at 31 December 2020
Bonds	104,240,338	79,241,623
Bills	<u>11,472,605</u>	<u>5,869,707</u>
Total	<u>115,712,943</u>	<u>85,111,330</u>

Collateral accepted

The Group received bills and securities as collaterals in connection with the securities lending transactions and the purchase of assets under resale agreements. The Group has no collaterals that have been re-pledged, with the obligation of the Group to return at the maturity dates as at 31 December 2021 and 31 December 2020.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

49. TRANSFER OF FINANCIAL ASSETS

(1) Financial assets sold under repurchase agreements

In daily operating activities, the Group entered repurchase agreements with certain counterparties. As at 31 December 2021, there are debt securities with carrying amount of RMB8,132 million under these agreements (31 December 2020: RMB569 million). The carrying amount of bills, which were sold by the Group to certain counterparties and were subject to the simultaneous agreements with commitments to repurchase at specified future dates and prices, was RMB11,472 million as at 31 December 2021 (31 December 2020: RMB5,870 million). The proceeds from selling such debt securities and bills totalling RMB19,088 million as at 31 December 2021 (31 December 2020: RMB6,373 million) are presented as “financial assets sold under repurchase agreements” (see Note 31).

As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these debt securities and bills to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these securities during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these debt securities and therefore has not derecognised from the consolidated financial statements but regarded as “collateral” for the secured lending from the counterparties.

(2) Rediscounted bills

As at 31 December 2021, the carrying amount of the outstanding rediscounted bills of the Group, which qualifies for derecognition, were RMB1,086 million (31 December 2020: RMB5,360 million).

(3) Asset securitisation

During securitisation transactions, the Group sells assets to special purpose trusts from whom the asset-backed securities are subsequently sold to the investors. The Group may hold some asset-backed securities in these businesses, thus reserving part of risks and rewards of transferred credit assets. The Group analyses and judges whether to derecognise relevant credit assets based on degree of retention of risks and rewards.

As at 31 December 2021 and 31 December 2020, the Group’s credit assets transferred have expired.

(4) Transfer of non-performing loans

For the year ended 31 December 2021, the Group has disposed non-performing assets with a carrying amount of RMB2,983 million (31 December 2020: RMB678 million) by transferring them to third parties. The Group analysed whether to derecognise related credit asset according to the degree of risk and reward retention. After the assessment, the Group has derecognised the relevant credit assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

49. TRANSFER OF FINANCIAL ASSETS (Continued)

(5) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or repledge these securities in the absence of default by the Group, but have an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. As at 31 December 2021, the carrying amount of debt securities lent to counterparties was RMB19,990 million (31 December 2020: RMB1,690 million).

50. FINANCIAL RISK MANAGEMENT

(1) Overview

The primary risk management of the Group is to maintain risk within acceptable parameters and satisfy the regulatory requirements.

The Group has designed risk management policies and has set up risk controls to identify, analyse, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews its risk management policies and systems to address changes in markets, products and emerging best practice.

The major risks of the Group include credit risk, market risk and liquidity risk. Market risk includes currency risk, interest risk and other price risk. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(2) Risk Management Framework

The Group has a risk management committee under the Board of Directors. Risk management committee is responsible for setting the overall risk management and internal control strategies of the Group, monitoring credit risk, market risk, liquidity risk and operation risk, periodically assessing the overall risk position, risk acceptance and management capabilities, and making recommendations and suggestions on risk management and internal control of the Group and the Bank.

Following the risk management strategies set by the risk management committee, the Risk Management Department of the Group formulates and implements relevant risk management policies and procedures to monitor the risk arising from financial instruments of the Group.

The Group's framework of financial risk management, risk management policies and process used in preparing the consolidated financial statements for the year ended 31 December 2021 are the same as those followed in the preparation of the Group's consolidated financial statements for the year end 31 December 2020.

(3) Credit Risk

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligations. Credit risk can also arise from operational failures that result in an unauthorised or inappropriate advance, commitment or investment of funds. The major credit risk of the Group comes from loans and advances to customers and other on-balance sheet and off-balance sheet credit risk exposures.

The Group strictly implements the "Measures for Management of Bad Debt Verification of Financial Enterprises" issued by Ministry of Finance. For those claims that have taken necessary measures and implemented necessary procedures and are still unable to recover, they will be written off after approval if complying with the conditions for the recognition of bad debts. For the year ended 31 December 2021, the Group wrote off non-performing loans of RMB7,933 million (for the year ended 31 December 2020: RMB10,052 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

(i) Loans and advances to customers

The Group exercises standardised credit management procedures, including credit investigation and proposals, credit limit review, loan disbursement, post lending monitoring, and non-performing loans management. The Group enhances its credit risk management by strict compliance with its credit management procedures; strengthening customer investigation, lending approval and post lending monitoring; enhancing risk mitigation effect of loans through collateral; accelerating disposal process of non-performing loans and continuously upgrade of Credit Management System.

(ii) Due from banks and other financial institutions

The Group adopts a Group-to-Group principle for credit to financial institutions. The Group set credit lines for financial institutions or single financial institutions that have financial transactions with the Group.

(iii) Bonds and other notes

The Group manages the credit risk exposure of bonds and other notes by controlling the scale of investment, setting the list of granting entities, rating access, Group-to-Group credit, and post-investment management.

(iv) Other financial assets

Financial assets mainly include asset management products, debt financing plans and etc. The Group implements a rating system for cooperating with financial institutions and sets credit lines for the ultimate financing party of the asset management products and debt financing plans, and conducts subsequent risk management on a regular basis.

(v) Credit commitments

The main purpose of the credit commitments is to ensure that customers receive the funds they need. The letters of guarantee, acceptances and letters of credit issued are an irrevocable undertaking of the Group, that is, the Group undertakes to pay on behalf of its customer to the third party or to perform the payment on behalf of customers upon their failure to perform under the terms of the contract. There is a possibility that customer violates the terms of the contract and the Group needs to perform the payment on behalf of its customers. Risks arising from financial guarantees are similar to those associated with loans and advances. These transactions are, therefore, subject to the same risk management procedures and policies.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Expected Credit Loss Measurement

For the year ended 31 December 2021, the Group adopts a “three-stage” model for impairment based on changes in credit quality since initial recognition, to estimate the ECL.

Stage 1: Financials instruments with no significant increase in credit risk after initial recognition. Expected credit losses in the next 12 months is recognised.

Stage 2: There are significant increase in credit risk since initial recognition, but no objective evidence of impairment of the financial instrument. Lifetime ECL of financial instruments is recognised.

Stage 3: Financial instruments show objective evidence of impairment on the balance sheet date. Lifetime ECL is recognised.

Significant Increase in Credit Risk (SICR)

The Group sufficiently considers available and valid information in order to decide the stage of financial assets, which reflects the significant increase in credit risk. The major factors considered include internal and external credit grading, repayment ability, operation capacity, contract terms of the loan, repayment behaviors, etc. The Group evaluates the change in default risk on reporting date and initial recognition of one financial instrument or a portfolio of financial instruments that shares the similar credit risk features. The Group considers the change in probability of default (PD), whether the overdue exceeds 30 days and other factors to determine whether there is significant increase in credit risk since initial recognition.

The Group sets a series of quantitative and qualitative criteria to determine whether there are significant changes in credit risk of financial instruments since initial recognition. The following factors are mainly considered:

- Interest or principal paid by debtors is overdue for more than 30 days but less than 90 days;
- A significant decrease in debtor’s credit rating compared to that of initial recognition;
- Significant adverse changes in the debtor’s operations or financial situation;
- Other objective evidence indicating there are significant changes in credit risk.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Expected Credit Loss Measurement (Continued)

Significant Increase in Credit Risk (SICR) (Continued)

After the outbreak of COVID-19, the Group provided relief plans to existing customers affected by the epidemic. For customers who applied for loan relief plans, the Group prudently determined whether there was a significant change in their credit risk based on the specific terms of deferred repayment, the borrower's credit status and repayment ability, and other evidence-based information. For customers who applied for temporary deferred repayment facilities due to the epidemic, the Group paid attention to and promptly determined whether there was a significant change in the credit risk instead of only considering deferred repayment facilities.

Definition on Default and Credit-impaired Assets

The Group determined whether the assets were credit impaired based on a series of quantitative and qualitative standards such as credit ratings, and the risk profile changes of the debtor. The Group defines a financial instrument as in default when it meets one or more of the following criteria. In order to evaluate whether a financial asset is credit impaired, the Group considers the following criteria:

- Credit rating grade is D;
- Significant financial difficulty of the borrower or issuer;
- Breach of contract term, such as a default or delinquency in interest or principal payments for over 90 days;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- It becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for financial assets because of financial difficulties;
- Other objective evidence indicating there is an impairment of the financial asset.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Expected Credit Loss Measurement (Continued)

Measuring ECL – Explanation of Inputs, Assumptions and Estimation Techniques

The Group's method of measuring ECL of financial assets includes risk parameter modelling approach and discounted cash flow modelling approach. The discounted cash flow model is applicable to financial assets classified into stage three which are large-amount and high-risk. The risk parameter model is applicable to financial assets divided into phase one, phase two and phase three which cash flow model is not applicable.

The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. ECL measured by risk parameter modelling approach are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

The PD represents the likelihood of a borrower breaching the contractual terms or defaulting on its financial obligation over a specific time, either the next 12 months, or the remaining lifetime of the obligation.

LGD refers to the extent of loss on a defaulted exposure, which is the ratio of the expected loss in the total amount of a loan. The Group's LGD is calculated in line with recovery amount according to different types of guarantee.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months or over the remaining lifetime.

The Group reviews assumptions related to ECL model periodically, including but not limited to changes in PD and LGD.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting year.

The ECL of financial assets using the discounted cash flow modelling approach is measured based on the difference between the total book value and the present value of estimated future cash flows discounted at a certain discount rate.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Expected Credit Loss Measurement (Continued)

Forward-looking Information

The calculation of ECL incorporates forward-looking macro-economic information.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL for each portfolio, mainly including Chongqing GDP, M2, PCDI of urban residents, etc, to calculate the forward-looking impact of the macro-economic environment on ECL.

The Group has established forecast model along with time series data collection of the above key economic indicators from Wind China Macro and Industry Database and internal data. On this basis, combined with the experience of experts, a certain proportion of the predicted value of the model is used as the forecast value of future key economic indicators and the weights of the three scenarios, optimistic, baseline and pessimistic are determined.

Similar to other economic projections, there is a high degree of inherent uncertainty in the estimation of expected values and likelihood of occurrence, so actual results may differ materially from forecasts. The Group updates the expected values of macroeconomic indicators periodically. The Group believes that these projections reflect the Group's best estimate of possible outcomes to determine that the scenarios selected are appropriate to represent possible scenarios.

In 2021, the forecast value range of the Group's baseline scenario for the year-on-year growth rate of Chongqing's gross product (GDP) in 2022 is 5.00%-6.00%. The Group fully considered the uncertainty in the internal and external environment caused by COVID-19 when evaluating the forecast information used in the ECL model, and made adaptive adjustments to the macroeconomic forecast.

Combined with expert judgment, the Group set the weighting of multiple scenarios based on the principle of taking the baseline scenario as the main and the rest scenarios as a supplement. The weight of the baseline scenario of the Group as at December 31, 2021 is higher than the weights of other scenarios.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit Risk (Continued)

Expected Credit Loss Measurement (Continued)

Sensitivity analysis and management overlay

ECL are sensitive to the parameters used in the model, the macro-economic variables of the forecast, the weight probabilities in the three scenarios, and other factors considered in the application of expert judgement. Changes in these inputs, assumptions, models, and judgements will have an impact on the significant increase in credit risk and the measurement of ECL.

As at 31 December 2021, the Group's credit impairment provision would increase by RMB470 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB605 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

As at 31 December 2020, the Group's credit impairment provision would increase by RMB407 million, assuming that the weighting of the optimistic scenario is reduced by 10% while the weighting of the baseline scenario is increased by 10%. The Group's credit impairment provision would decrease by RMB560 million, if the weighting of the pessimistic scenario is reduced by 10%, and the weight of baseline scenario is increased by 10%.

In 2021, for new changes in the external macro-economic situation and national strategies not captured by the model, the Group has also considered and increased the allowances for expected credit losses to further improve its risk mitigation capacity, the impairment loss allowances increased in this way shall not significant.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of the reporting period without taking into account any collateral held or other credit enhancements. The maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of each financial asset recognised in the consolidated statements of financial position and credit commitments disclosed in Note 48 “Contingent Liabilities and Commitments”.

	As at 31 December 2021				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial assets					
Balances with central bank	58,441,531	-	-	-	58,441,531
Deposits with banks and other financial institutions	17,017,386	-	-	-	17,017,386
Placements with banks and other financial institutions	91,072,510	-	-	-	91,072,510
Financial assets held under resale agreements	980,305	-	-	-	980,305
Derivative financial assets	-	-	-	32,221	32,221
Loans and advances to customers	543,630,262	11,773,440	1,931,294	-	557,334,996
Financial investments					
Financial assets measured at fair value through profit or loss	-	-	-	48,347,564	48,347,564
Financial assets measured at fair value through other comprehensive income	48,035,760	-	-	-	48,035,760
Financial assets measured at amortised cost	422,269,372	1,286,735	861,778	-	424,417,885
Other financial assets	870,042	-	-	-	870,042
Subtotal	1,182,317,168	13,060,175	2,793,072	48,379,785	1,246,550,200
Off-balance sheet credit commitments	37,516,605	384,777	27,507	-	37,928,889
Total	1,219,833,773	13,444,952	2,820,579	48,379,785	1,284,479,089

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

	As at 31 December 2020				Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements
	Stage 1	Stage 2	Stage 3	Not applicable	
Financial assets					
Balances with central bank	62,223,994	–	–	–	62,223,994
Deposits with banks and other financial institutions	27,771,457	–	–	–	27,771,457
Placements with banks and other financial institutions	109,615,104	–	–	–	109,615,104
Financial assets held under resale agreements	1,303,008	–	–	–	1,303,008
Derivative financial assets	–	–	–	58,492	58,492
Loans and advances to customers	473,595,465	11,775,562	1,592,376	–	486,963,403
Financial investments					
Financial assets measured at fair value through profit or loss	–	–	–	30,164,463	30,164,463
Financial assets measured at fair value through other comprehensive income	16,055,223	–	–	–	16,055,223
Financial assets measured at amortised cost	380,939,052	627,393	1,598,044	–	383,164,489
Other financial assets	1,093,264	–	–	–	1,093,264
Subtotal	1,072,596,567	12,402,955	3,190,420	30,222,955	1,118,412,897
Off-balance sheet credit commitments	36,997,061	233,715	53	–	37,230,829
Total	1,109,593,628	12,636,670	3,190,473	30,222,955	1,155,643,726

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

The Group conducts internal stratified management of asset risk characteristics according to the quality status of assets. Financial assets included in the expected credit losses are further classified into “risk level 1”, “risk level 2”, “risk level 3” and “default” within each stage according to internal rating scales and overdue days, the results of this layered management are used by the Bank for internal credit risk management purposes. “Risk level 1” means that the asset quality is good, and the rating is high, or there is no overdue situation, or there is no reason to suspect that the asset is expected to default; “Risk level 2” means medium rating, or although there is a certain overdue situation, the asset quality is good or there may be factors that have an adverse effect, but there is no sufficient reason to suspect that the asset is expected to default. “Risk level 3” means that the rating is low or the overdue situation is more serious, which means that there are factors that have a significantly adverse effect on the asset default, but there is no event indicating that the default has occurred. The criteria for “default” is consistent with definition of credit impairment that has occurred;

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

- (a) Maximum exposure to credit risk of loans and advances to customers measured at amortised cost analysed by internal stratified management:

Corporate loans and advances	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	186,209,997	2,708,428	–	188,918,425
Risk level 2	72,233,981	9,138,661	–	81,372,642
Risk level 3	–	1,979,559	–	1,979,559
Default	–	–	8,014,538	8,014,538
Gross carrying amount	258,443,978	13,826,648	8,014,538	280,285,164
Less: ECL allowance	(6,171,877)	(3,439,089)	(6,491,392)	(16,102,358)
Net carrying amount	<u>252,272,101</u>	<u>10,387,559</u>	<u>1,523,146</u>	<u>264,182,806</u>
Personal loans and advances	As at 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	271,436,275	12,882	–	271,449,157
Risk level 2	128,697	2,133,601	–	2,262,298
Risk level 3	–	13,054	–	13,054
Default	–	–	1,830,325	1,830,325
Gross carrying amount	271,564,972	2,159,537	1,830,325	275,554,834
Less: ECL allowance	(6,532,311)	(773,656)	(1,423,177)	(8,729,144)
Net carrying amount	<u>265,032,661</u>	<u>1,385,881</u>	<u>407,148</u>	<u>266,825,690</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

- (a) Maximum exposure to credit risk of loans and advances to customers measured at amortised cost analysed by internal stratified management: (Continued)

Corporate loans and advances	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	160,733,375	1,718,692	–	162,452,067
Risk level 2	92,229,441	11,531,122	–	103,760,563
Risk level 3	–	1,028,574	–	1,028,574
Default	–	–	6,390,083	6,390,083
Gross carrying amount	252,962,816	14,278,388	6,390,083	273,631,287
Less: ECL allowance	(5,699,101)	(3,667,757)	(5,076,089)	(14,442,947)
Net carrying amount	247,263,715	10,610,631	1,313,994	259,188,340

Personal loans and advances	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Credit rating				
Risk level 1	213,362,245	–	–	213,362,245
Risk level 2	109,586	1,584,743	–	1,694,329
Risk level 3	–	159,035	–	159,035
Default	–	–	1,328,084	1,328,084
Gross carrying amount	213,471,831	1,743,778	1,328,084	216,543,693
Less: ECL allowance	(4,849,971)	(578,847)	(1,050,702)	(6,479,520)
Net carrying amount	208,621,860	1,164,931	277,382	210,064,173

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers

- (i) The composition of loans and advances to customers by industry or by nature is analysed as follows:

	As at 31 December 2021		As at 31 December 2020	
	Amount	%	Amount	%
Corporate loans and advances				
Water, environment and public utilities management	66,641,968	21.73	63,969,943	21.96
Leasing and commercial services	64,121,895	20.91	60,894,463	20.90
Manufacturing	62,423,748	20.36	63,304,280	21.73
Retail and wholesale	25,995,352	8.48	26,318,943	9.03
Production and supply of electricity, gas and water	23,727,004	7.74	19,624,184	6.74
Transportation, logistics and postal services	22,374,762	7.30	18,352,497	6.30
Financial industry	11,173,647	3.64	7,608,672	2.61
Construction	7,333,769	2.39	7,089,808	2.43
Sanitation and social work	6,819,325	2.22	6,288,277	2.16
Real estate	4,686,973	1.53	5,676,948	1.95
Culture, sports and entertainment industry	2,696,871	0.88	2,355,970	0.81
Education	2,279,045	0.74	2,596,509	0.89
Others	6,337,305	2.08	7,261,683	2.49
Subtotal	306,611,664	100.00	291,342,177	100.00
Personal loans and advances				
Mortgages	100,979,782	36.65	91,337,004	42.18
Loans to private business and employment assistance loans	89,795,531	32.59	66,799,803	30.85
Credit cards	9,142,553	3.32	5,002,879	2.31
Others	75,636,968	27.44	53,404,007	24.66
Subtotal	275,554,834	100.00	216,543,693	100.00
Total	582,166,498		507,885,870	

As at 31 December 2021, discounted bills included in corporate loans and advances were RMB26,327 million (31 December 2020: RMB17,711 million).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

- (i) The composition of loans and advances to customers by industry or by nature is analysed as follows: (Continued)

Details of credit impaired loans, ECL allowances, charges (reversal), and amounts written off in respect of economic sectors which constitute 10% or more of total corporate loans and advances are as follows:

	2021					
	Gross impaired loans	ECL			Charge for the year	Written off in the year
		Stage 1	Stage 2	Stage 3		
Water, environment and public utilities management	207,092	(1,514,772)	(241,397)	(207,092)	(523,906)	-
Leasing and commercial services	1,754,592	(1,952,381)	(703,036)	(1,236,997)	(1,005,794)	7,416
Manufacturing	<u>934,681</u>	<u>(835,220)</u>	<u>(1,527,702)</u>	<u>(704,523)</u>	<u>(2,539,066)</u>	<u>3,985,671</u>
	2020					
	Gross impaired loans	ECL			Charge for the year	Written off in the year
		Stage 1	Stage 2	Stage 3		
Water, environment and public utilities management	-	(1,274,757)	(164,598)	-	554,341	4,514
Leasing and commercial services	127,505	(1,907,261)	(890,167)	(96,608)	(1,551,528)	7,900
Manufacturing	<u>3,167,438</u>	<u>(911,465)</u>	<u>(912,560)</u>	<u>(2,690,025)</u>	<u>(3,484,840)</u>	<u>4,218,438</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

- (ii) The composition of loans and advances to customers by contractual maturity and collateral type is analysed as follows:

	As at 31 December 2021			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	52,842,223	28,362,378	17,257,167	98,461,768
Guaranteed loans	25,190,038	84,350,231	68,379,092	177,919,361
Collateralised and other secured loans				
– loans secured by property and other immovable assets	81,586,958	40,363,331	117,901,424	239,851,713
– other pledged loans	28,214,616	4,306,893	33,412,147	65,933,656
Total	187,833,835	157,382,833	236,949,830	582,166,498

	As at 31 December 2020			Total
	Less than 1 year	1 to 5 years	More than 5 years	
Unsecured loans	45,364,810	22,980,557	9,318,826	77,664,193
Guaranteed loans	33,542,293	61,235,221	65,560,134	160,337,648
Collateralised and other secured loans				
– loans secured by property and other immovable assets	67,782,253	32,896,282	107,901,668	208,580,203
– other pledged loans	20,994,359	5,530,668	34,778,799	61,303,826
Total	167,683,715	122,642,728	217,559,427	507,885,870

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iii) Overdue loans

	As at 31 December 2021				Total
	Up to 90 days	91 to 360 days	361 days to 3 years	Over 3 years	
Unsecured loans	458,035	354,993	50,684	7,150	870,862
Guaranteed loans	1,169,189	1,228,687	997,637	96,749	3,492,262
Collateralised and other secured loans					
– loans secured by property and other immovable assets	940,029	1,036,823	405,251	82,156	2,464,259
– other pledged loans	49,641	12,020	2,695	–	64,356
Total	2,616,894	2,632,523	1,456,267	186,055	6,891,739

	As at 31 December 2020				Total
	Up to 90 days	91 to 360 days	361 days to 3 years	Over 3 years	
Unsecured loans	224,109	307,210	19,046	6,433	556,798
Guaranteed loans	306,172	1,207,142	964,299	332,319	2,809,932
Collateralised and other secured loans					
– loans secured by property and other immovable assets	755,021	957,886	319,486	87,679	2,120,072
– other pledged loans	93,679	1,698	1,000	–	96,377
Total	1,378,981	2,473,936	1,303,831	426,431	5,583,179

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue.

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Loans and advances to customers (Continued)

(iv) Rescheduled loans and advances

Rescheduled loans are loans that have been renegotiated due to deterioration in the borrower's financial position to the extent that the borrower is unable to repay according to the original terms and where the Group has made concessions that it would not otherwise consider under normal circumstances. Rescheduled loans are subject to ongoing monitoring. The amount of rescheduled loans and advances is shown as follows:

	As at 31 December 2021		As at 31 December 2020	
	Total	Percentage of gross loans and advances to customers	Total	Percentage of gross loans and advances to customers
Rescheduled loans and advances to customers	<u>1,132,272</u>	<u>0.19%</u>	<u>1,539,513</u>	<u>0.30%</u>
Of which:				
Rescheduled loans and advances overdue for more than 90 days	<u>876,569</u>	<u>0.15%</u>	<u>743,805</u>	<u>0.15%</u>

(v) Assets foreclosed under credit enhancement arrangement

Such foreclosed assets are disclosed in Note 27 Other assets.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities

(i) Debt securities analysed by credit rating and credit risk characteristics

The Group and the Bank relies on credit rating provided by the external credit agencies in the PRC to classify the debt securities.

	As at 31 December 2021				Total
	AAA	AA	A and below	Unrated	
Financial assets measured at fair value through profit and loss					
Government bonds	-	-	-	595,396	595,396
Public sector, quasi-government bonds	-	-	-	144,923	144,923
Financial institution bonds	1,619,578	1,572,456	-	-	3,192,034
Corporate bonds	-	-	525,093	31,088	556,181
Interbank deposit certificates	-	-	-	1,273,177	1,273,177
Trust and asset management plans	-	-	-	10,119,419	10,119,419
Funds	-	-	-	31,626,966	31,626,966
Others	-	-	-	839,468	839,468
Subtotal	1,619,578	1,572,456	525,093	44,630,437	48,347,564
Financial assets measured at fair value through other comprehensive income					
Government bonds	443,743	-	-	14,984,494	15,428,237
Public sector, quasi-government bonds	-	-	-	31,598,570	31,598,570
Financial institution bonds	1,008,953	-	-	-	1,008,953
Subtotal	1,452,696	-	-	46,583,064	48,035,760
Financial assets measured at amortised cost					
Government bonds	39,273,587	-	-	123,630,272	162,903,859
Public sector, quasi-government bonds	2,067,814	-	-	64,026,606	66,094,420
Financial institution bonds	76,696,487	102,700	-	904,277	77,703,464
Corporate bonds	8,725,017	13,558,913	-	38,262,254	60,546,184
Interbank deposit certificates	-	-	-	27,188,212	27,188,212
Debt financing plans	-	-	-	24,746,808	24,746,808
Trust plans	-	-	-	5,234,938	5,234,938
Subtotal	126,762,905	13,661,613	-	283,993,367	424,417,885
Total	129,835,179	15,234,069	525,093	375,206,868	520,801,209

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(3) Credit risk (Continued)

Debt securities (Continued)

(i) Debt securities analysed by credit rating and credit risk characteristics (Continued)

	As at 31 December 2020				Total
	AAA	AA	A and below	Unrated	
Financial assets measured at fair value through profit and loss					
Public sector, quasi-government bonds	–	–	–	1,651,528	1,651,528
Financial institution bonds	3,610,397	1,609,111	–	–	5,219,508
Others	–	–	–	23,293,427	23,293,427
Subtotal	3,610,397	1,609,111	–	24,944,955	30,164,463
Financial assets measured at fair value through other comprehensive income					
Public sector, quasi-government bonds	–	–	–	15,755,737	15,755,737
Financial institution bonds	299,486	–	–	–	299,486
Subtotal	299,486	–	–	15,755,737	16,055,223
Financial assets measured at amortised cost					
Government bonds	77,720,555	–	–	35,663,965	113,384,520
Public sector, quasi-government bonds	2,067,553	–	–	49,954,929	52,022,482
Financial institution bonds	54,628,273	–	–	–	54,628,273
Corporate bonds	7,506,167	13,946,380	23,522	40,773,786	62,249,855
Interbank deposit certificates	–	–	–	61,478,326	61,478,326
Debt financing plans	–	–	–	32,620,565	32,620,565
Trust plans	–	–	–	6,780,468	6,780,468
Subtotal	141,922,548	13,946,380	23,522	227,272,039	383,164,489
Total	145,832,431	15,555,491	23,522	267,972,731	429,384,175

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flow or maturity mismatches of assets and liabilities.

The Asset and Liability Management Committee of the Group mapped out the index management system of the ratios of asset and liability structure, based on the principles of liquidity, safety, and profitability; determines annual target values of these indexes in accordance with regulatory requirement and business plan; and allocates the tasks to branches for implementation.

The Group established the supervision system of indexes of asset and liability management, the liquidity reverse system, and relevant emergency management measures, to reduce the liquidity risk of the Group. The Group worked out the regulatory indicators of liquidity in accordance with the requirement of CBIRC, and reported to CBIRC periodically.

The assets which can be used for repaying debt and paying for the outstanding credit commitments contain cash and balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets measured at fair value through profit and loss, and so forth. In normal operation, majority of deposits will not be withdrawn immediately on the maturity date. Therefore, the Group will retain this part of cash flow.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities

The table below summarises the maturity analysis of financial assets and liabilities by remaining contractual maturities at the end of the reporting period.

	As at 31 December 2021							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	49,548,242	11,801,398	-	-	-	-	-	61,349,640
Deposits with banks and other financial institutions	-	8,563,794	1,027,321	4,391,048	3,035,223	-	-	17,017,386
Placements with banks and other financial institutions	-	-	18,722,947	35,827,297	36,522,266	-	-	91,072,510
Derivative financial assets	-	-	920	1,028	25,553	4,720	-	32,221
Financial assets held under resale agreements	-	-	599,602	189,762	190,941	-	-	980,305
Loans and advances to customers	1,846,065	-	21,141,339	28,699,337	161,381,577	169,013,530	175,253,148	557,334,996
Financial investments								
Financial assets measured at fair value through profit and loss	-	13,498,390	-	879,808	3,878,256	13,867,602	16,223,508	48,347,564
Financial assets measured at fair value through other comprehensive income	797,703	-	24,348	184,029	1,308,678	14,020,309	32,498,396	48,833,463
Financial assets measured at amortised cost	861,778	-	5,231,881	22,821,457	50,059,108	133,893,017	211,550,644	424,417,885
Other financial assets	-	870,042	-	-	-	-	-	870,042
Total financial assets	53,053,788	34,733,624	46,748,358	92,993,766	256,401,602	330,799,178	435,525,696	1,250,256,012
Borrowings from central bank	-	-	3,700,533	4,462,478	72,376,780	-	-	80,539,791
Deposits from banks and other financial institutions	-	1,322,110	-	11,750,135	16,229,870	-	-	29,302,115
Placements from banks and other financial institutions	-	-	2,840,609	7,021,280	24,232,653	-	-	34,094,542
Derivative financial liabilities	-	-	571	1,001	10,875	-	-	12,447
Financial assets sold under repurchase agreements	-	-	9,404,838	2,349,430	7,334,184	-	-	19,088,452
Deposits from customers	-	236,083,370	57,695,949	127,249,492	176,594,667	161,736,758	-	759,360,236
Debt securities issued	-	-	9,708,001	52,705,413	142,946,200	14,896,691	4,998,105	225,254,410
Other financial liabilities	-	4,964,124	-	-	-	-	34,401	4,998,525
Total financial liabilities	-	242,369,604	83,350,501	205,539,229	439,725,229	176,633,449	5,032,506	1,152,650,518
Net position	53,053,788	(207,635,980)	(36,602,143)	(112,545,463)	(183,323,627)	154,165,729	430,493,190	97,605,494

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(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and liabilities (Continued)

	As at 31 December 2020							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central bank	56,523,959	8,844,964	-	-	-	-	-	65,368,923
Deposits with banks and other financial institutions	-	7,526,046	1,055,967	8,054,179	11,135,265	-	-	27,771,457
Placements with banks and other financial institutions	-	-	7,857,729	20,661,983	81,095,392	-	-	109,615,104
Derivative financial assets	-	-	821	850	42,191	14,630	-	58,492
Financial assets held under resale agreements	-	-	1,303,008	-	-	-	-	1,303,008
Loans and advances to customers	1,871,846	-	17,074,107	28,283,353	141,709,769	136,404,373	161,619,955	486,963,403
Financial investments								
Financial assets measured at fair value through profit and loss	-	2,503,025	815,756	1,449,309	1,011,699	14,334,000	10,050,674	30,164,463
Financial assets measured at fair value through other comprehensive income	570,321	-	-	124,903	128,645	294,020	15,507,655	16,625,544
Financial assets measured at amortised cost	-	-	4,005,274	30,306,457	66,313,445	157,763,203	124,776,110	383,164,489
Other financial assets	-	1,093,264	-	-	-	-	-	1,093,264
Total financial assets	58,966,126	19,967,299	32,112,662	88,881,034	301,436,406	308,810,226	311,954,394	1,122,128,147
Borrowings from central bank	-	-	80	3,982,483	58,331,244	-	-	62,313,807
Deposits from banks and other financial institutions	-	1,784,356	4,671,977	13,061,472	15,921,496	-	-	35,439,301
Placements from banks and other financial institutions	-	-	5,401,533	5,242,857	16,055,609	-	-	26,699,999
Derivative financial liabilities	-	-	760	798	79,961	227	-	81,746
Financial assets sold under repurchase agreements	-	-	2,400,573	2,661,785	1,310,842	-	-	6,373,200
Deposits from customers	-	257,556,816	43,719,865	104,664,428	160,641,822	158,416,883	-	724,999,814
Debt securities issued	-	-	2,299,293	43,329,903	104,657,249	13,893,834	8,997,930	173,178,209
Other financial liabilities	-	5,070,326	-	-	-	-	35,904	5,106,230
Total financial liabilities	-	264,411,498	58,494,081	172,943,726	356,998,223	172,310,944	9,033,834	1,034,192,306
Net position	58,966,126	(244,444,199)	(26,381,419)	(84,062,692)	(55,561,817)	136,499,282	302,920,560	87,935,841

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows

The tables below present the cash flows of financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the expected undiscounted contractual cash flows. The Group manages liquidity risk on basis of expected undiscounted cash flows.

	As at 31 December 2021							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	49,548,242	11,812,811	-	-	-	-	-	61,361,053
Deposits with banks and other financial institutions	-	8,576,148	1,029,068	4,411,684	3,079,700	-	-	17,096,600
Placements with banks and other financial institutions	-	-	18,753,425	36,060,187	37,255,073	-	-	92,068,685
Financial assets held under resale agreements	-	-	599,882	190,250	192,163	-	-	982,295
Loans and advances to customers	2,179,904	-	24,069,566	35,716,998	189,675,725	216,008,995	281,948,390	749,599,578
Financial investments								
Financial assets measured at fair value through profit and loss	-	13,498,390	-	887,317	4,039,919	14,521,514	16,516,595	49,463,735
Financial assets measured at fair value through other comprehensive income	797,703	-	25,001	224,180	2,035,719	19,059,319	37,125,778	59,267,700
Financial assets measured at amortised cost	861,778	-	6,605,020	24,249,094	60,925,919	176,484,978	248,721,922	517,848,711
Other financial assets	-	842,138	-	-	-	-	-	842,138
Total financial assets	53,387,627	34,729,487	51,081,962	101,739,710	297,204,218	426,074,806	584,312,685	1,548,530,495
Non-derivative financial liabilities								
Borrowings from central bank	-	-	3,705,182	4,616,524	73,649,374	-	-	81,971,080
Deposits from banks and other financial institutions	-	1,322,110	-	11,802,981	16,395,121	-	-	29,520,212
Placements from banks and other financial institutions	-	-	2,847,422	7,113,027	24,686,797	-	-	34,647,246
Financial assets sold under repurchase agreements	-	-	9,408,097	2,358,763	7,449,750	-	-	19,216,610
Deposits from customers	-	236,083,370	57,751,462	127,767,311	179,238,447	172,482,279	-	773,322,869
Debt securities issued	-	-	9,724,000	53,011,200	145,054,200	16,535,200	5,690,000	230,014,600
Other financial liabilities	-	4,964,124	-	-	-	-	34,401	4,998,525
Total financial liabilities	-	242,369,604	83,436,163	206,669,806	446,473,689	189,017,479	5,724,401	1,173,691,142
Net position	53,387,627	(207,640,117)	(32,354,201)	(104,930,096)	(149,269,471)	237,057,327	578,588,284	374,839,353

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2021							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivative financial instruments								
Settled by total amount								
Total inflows	-	-	7,813,837	13,339	5,604,373	-	-	13,431,549
Total outflows	-	-	(1,251,241)	(17,165)	(4,936,961)	-	-	(6,205,367)
Net position	-	-	6,562,596	(3,826)	667,412	-	-	7,226,182

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2020							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Non-derivative financial assets								
Cash and balances with central bank	56,523,959	8,857,569	-	-	-	-	-	65,381,528
Deposits with banks and other financial institutions	-	7,538,540	1,056,797	8,090,541	11,340,255	-	-	28,026,133
Placements with banks and other financial institutions	-	-	7,871,258	20,969,005	82,919,595	-	-	111,759,858
Financial assets held under resale agreements	-	-	1,304,523	-	-	-	-	1,304,523
Loans and advances to customers	1,991,967	-	19,402,702	34,503,546	166,756,751	177,088,010	257,441,764	657,184,740
Financial investments								
Financial assets measured at fair value through profit and loss	-	2,503,025	816,054	1,472,774	1,339,418	16,947,592	11,667,512	34,746,375
Financial assets measured at fair value through other comprehensive income	570,321	-	-	153,500	389,875	2,458,500	18,158,000	21,730,196
Financial assets measured at amortised cost	-	-	4,218,349	31,335,348	74,082,314	195,221,957	144,633,810	449,491,778
Other financial assets	-	1,066,850	-	-	-	-	-	1,066,850
Total financial assets	59,086,247	19,965,984	34,669,683	96,524,714	336,828,208	391,716,059	431,901,086	1,370,691,981
Non-derivative financial liabilities								
Borrowings from central bank	-	-	80	4,065,726	59,352,087	-	-	63,417,893
Deposits from banks and other financial institutions	-	1,784,224	4,678,474	13,118,821	16,146,469	-	-	35,727,988
Placements from banks and other financial institutions	-	-	5,406,419	5,345,790	16,421,740	-	-	27,173,949
Financial assets sold under repurchase agreements	-	-	2,401,990	2,671,100	1,324,499	-	-	6,397,589
Deposits from customers	-	257,556,816	43,763,700	105,044,740	162,822,515	169,185,099	-	738,372,870
Debt securities issued	-	-	2,304,000	43,601,200	106,707,200	16,218,600	10,072,000	178,903,000
Other financial liabilities	-	5,070,326	-	-	-	-	35,904	5,106,230
Total financial liabilities	-	264,411,366	58,554,663	173,847,377	362,774,510	185,403,699	10,107,904	1,055,099,519
Net position	59,086,247	(244,445,382)	(23,884,980)	(77,322,663)	(25,946,302)	206,312,360	421,793,182	315,592,462

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Analysis of the undiscounted contractual cash flows (Continued)

	As at 31 December 2020							Total
	Overdue/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Derivative financial instruments								
Settled by total amount								
Total inflows	-	-	11,081	15,258	2,489,088	409,294	-	2,924,721
Total outflows	-	-	(11,021)	(15,206)	(2,526,857)	(408,620)	-	(2,961,704)
Net position	-	-	60	52	(37,769)	674	-	(36,983)

Assets available to meet all of the liabilities include cash, balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets measured at fair value through profit or loss, and financial assets measured at fair value through other comprehensive income. In the normal course of business, the majority of customer deposits repayable on demand are expected to be revolved.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(4) Liquidity risk (Continued)

Off-balance sheet items

Off-balance sheet items of the Group include acceptances, undrawn credit card limits and others. The tables below set forth the amounts of the off-balance sheet items by remaining maturity.

	31 December 2021			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	6,807,611	–	–	6,807,611
Undrawn credit card limits	25,307,309	–	–	25,307,309
Letters of guarantee	2,107,673	1,317,906	8,007	3,433,586
Letters of credit issued	2,380,383	–	–	2,380,383
Total	36,602,976	1,317,906	8,007	37,928,889

	31 December 2020			Total
	Up to 1 year	1 – 5 years	Over 5 years	
Bank acceptances	9,236,861	–	–	9,236,861
Undrawn credit card limits	21,959,923	–	–	21,959,923
Letters of guarantee	2,040,782	1,750,455	8,000	3,799,237
Letters of credit issued	2,394,727	–	–	2,394,727
Total	35,632,293	1,750,455	8,000	37,390,748

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk

Market risk is the risk of loss, in respect of the Group's and the Bank's on and off-balance sheet activities, arising from adverse movements in market rates including interest rates, foreign exchange rates, and stock prices. Market risk arises from the proprietary business of the Group.

The Group is primarily exposed to interest rate risk arising from corporate and personal banking. Interest rate risk is inherent in many of its businesses and largely arises from mismatches between the re-pricing dates of interest-generating assets and interest-bearing liabilities.

The Group's foreign currency risk is the risk of loss in respect of its foreign currency exposures, arising from transactions taken on foreign currency denominated assets and liabilities, which results from movements in foreign currency exchange rates.

Foreign currency risk

The Group conducts its businesses mainly in RMB, with certain transactions denominated in USD, HKD and to a lesser extent in other currencies. Transactions in foreign currencies mainly arise from the Group's treasury exposures.

The exchange rate of RMB to USD is under a managed floating exchange rate system. The HKD exchange rate has been pegged to the USD and therefore the exchange rate of RMB to HKD has fluctuated in line with the changes in the exchange rate of RMB to USD.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

	As at 31 December 2021				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	61,232,844	116,771	25	-	61,349,640
Deposits with banks and other financial institutions	15,779,103	683,107	474,541	80,635	17,017,386
Placements with banks and other financial institutions	90,638,878	433,632	-	-	91,072,510
Derivative financial assets	29,477	2,581	163	-	32,221
Financial assets held under resale agreements	980,305	-	-	-	980,305
Loans and advances to customers	556,524,730	810,266	-	-	557,334,996
Financial investments					
Financial assets measured at fair value through profit and loss	48,347,564	-	-	-	48,347,564
Financial assets measured at fair value through other comprehensive income	48,833,463	-	-	-	48,833,463
Financial assets measured at amortised cost	424,417,885	-	-	-	424,417,885
Other financial assets	870,042	-	-	-	870,042
Total financial assets	1,247,654,291	2,046,357	474,729	80,635	1,250,256,012
Borrowings from central bank	80,539,791	-	-	-	80,539,791
Deposits from banks and other financial institutions	29,301,987	128	-	-	29,302,115
Placements from banks and other financial institutions	33,858,340	236,202	-	-	34,094,542
Derivative financial liabilities	2,585	9,862	-	-	12,447
Financial assets sold under repurchase agreements	19,088,452	-	-	-	19,088,452
Deposits from customers	757,842,801	1,214,375	206,921	96,139	759,360,236
Debt securities issued	225,254,410	-	-	-	225,254,410
Other financial liabilities	4,964,124	34,401	-	-	4,998,525
Total financial liabilities	1,150,852,490	1,494,968	206,921	96,139	1,152,650,518
Net position	96,801,801	551,389	267,808	(15,504)	97,605,494
Credit commitments	36,688,054	432,685	290,248	517,902	37,928,889

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

	As at 31 December 2020				Total
	RMB	USD RMB equivalent	HKD RMB equivalent	Other currencies RMB equivalent	
Cash and balances with central bank	65,279,310	89,613	–	–	65,368,923
Deposits with banks and other financial institutions	26,353,725	807,862	191,794	418,076	27,771,457
Placements with banks and other financial institutions	109,081,116	533,988	–	–	109,615,104
Derivative financial assets	57,585	907	–	–	58,492
Financial assets held under resale agreements	1,303,008	–	–	–	1,303,008
Loans and advances to customers	484,941,118	2,022,285	–	–	486,963,403
Financial investments					
Financial assets measured at fair value through profit and loss	30,164,463	–	–	–	30,164,463
Financial assets measured at fair value through other comprehensive income	16,625,544	–	–	–	16,625,544
Financial assets measured at amortised cost	383,131,476	33,013	–	–	383,164,489
Other financial assets	1,093,264	–	–	–	1,093,264
Total financial assets	1,118,030,609	3,487,668	191,794	418,076	1,122,128,147
Borrowings from central bank	62,313,807	–	–	–	62,313,807
Deposits from banks and other financial institutions	35,439,170	131	–	–	35,439,301
Placements from banks and other financial institutions	25,181,588	1,518,411	–	–	26,699,999
Derivative financial liabilities	3,404	78,342	–	–	81,746
Financial assets sold under repurchase agreements	6,373,200	–	–	–	6,373,200
Deposits from customers	722,738,012	2,232,671	2,698	26,433	724,999,814
Debt securities issued	173,178,209	–	–	–	173,178,209
Other financial liabilities	5,070,326	35,904	–	–	5,106,230
Total financial liabilities	1,030,297,716	3,865,459	2,698	26,433	1,034,192,306
Net position	87,732,893	(377,791)	189,096	391,643	87,935,841
Credit commitments	34,641,177	2,115,055	–	474,597	37,230,829

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Foreign currency risk (Continued)

The table below indicates the potential effect of an appreciation or depreciation of RMB spot and forward exchange rate against USD by 5% on net profit.

	As at 31 December 2021 (Decrease)/ Increase in Net profit	As at 31 December 2020 (Decrease)/ Increase in Net profit
RMB 5% appreciation	(20,677)	12,821
RMB 5% depreciation	20,677	(12,821)

The impact on the net profit arises from the effects of movement in RMB exchange rate on the net positions of foreign monetary assets and liabilities. Changes in foreign currency exchange rate will not affect other comprehensive income.

The effect on the net profit is based on the assumption that the Group's net foreign currency at the end of the reporting period remains unchanged. The Group mitigates its foreign currency risk through active management of its foreign currency exposures, based on the management expectation of future foreign currency movements, and therefore the above sensitivity analysis may differ to the actual situation.

Interest rate risk

The interest rate risk of the Group arises from the mis-matches between contractual maturities and re-pricing of interest-generating assets and interest-bearing liabilities.

The Group manages its interest rate risk by:

- Regularly monitoring the macro-economic factors that may impact on the PBOC benchmark interest rates;
- Minimising the mis-matches between contractual maturities and repricing of interest generating assets and interest-bearing liabilities; and
- Enhancing the interest rate margin on interest-generating assets and interest-bearing liabilities with reference to the prevailing PBOC benchmark interest rates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

The tables below summarise the contractual repricing or maturity date, whichever is earlier, of the Group's financial assets and liabilities.

	As at 31 December 2021						Total
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	57,962,532	-	-	-	-	3,387,108	61,349,640
Deposits with banks and other financial institutions	8,332,949	4,309,960	3,009,281	-	-	1,365,196	17,017,386
Placements with banks and other financial institutions	18,483,826	35,248,744	36,146,595	-	-	1,193,345	91,072,510
Derivative financial assets	-	-	-	-	-	32,221	32,221
Financial assets held under resale agreements	598,070	188,873	190,810	-	-	2,552	980,305
Loans and advances to customers	235,250,747	31,719,256	162,103,221	23,453,400	103,075,080	1,733,292	557,334,996
Financial investments							
Financial assets measured at fair value through profit and loss	-	30,004	1,790,395	590,565	3,270,673	42,665,927	48,347,564
Financial assets measured at fair value through other comprehensive income	-	-	842,216	14,020,309	32,498,396	1,472,542	48,833,463
Financial assets measured at amortised cost	3,815,325	20,641,500	46,940,945	133,891,713	211,550,644	7,577,758	424,417,885
Other financial assets	-	-	-	-	-	870,042	870,042
Total financial assets	324,443,449	92,138,337	251,023,463	171,955,987	350,394,793	60,299,983	1,250,256,012
Borrowings from central bank	3,620,000	4,037,880	70,021,210	-	-	2,860,701	80,539,791
Deposits from banks and other financial institutions	1,321,865	11,615,000	16,070,000	-	-	295,250	29,302,115
Placements from banks and other financial institutions	2,820,000	6,938,614	24,088,917	-	-	247,011	34,094,542
Derivative financial liabilities	-	-	-	-	-	12,447	12,447
Financial assets sold under repurchase agreement	9,391,083	2,330,551	7,300,613	-	-	66,205	19,088,452
Deposits from customers	292,326,041	124,073,375	172,257,144	157,791,887	-	12,911,789	759,360,236
Debt securities issued	9,646,041	52,520,895	142,699,271	14,896,691	4,998,105	493,407	225,254,410
Other financial liabilities	-	-	-	-	34,401	4,964,124	4,998,525
Total financial liabilities	319,125,030	201,516,315	432,437,155	172,688,578	5,032,506	21,850,934	1,152,650,518
Interest rate risk gap	5,318,419	(109,377,978)	(181,413,692)	(732,591)	345,362,287	38,449,049	97,605,494

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

	As at 31 December 2020						合計
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	
Cash and balances with central bank	378,534	-	-	-	-	64,990,389	65,368,923
Deposits with banks and other financial institutions	7,131,614	7,907,087	11,021,674	-	-	1,711,082	27,771,457
Placements with banks and other financial institutions	7,658,689	20,193,742	80,039,422	-	-	1,723,251	109,615,104
Derivative financial assets	-	-	-	-	-	58,492	58,492
Financial assets held under resale agreements	1,302,667	341	-	-	-	-	1,303,008
Loans and advances to customers	177,696,186	41,357,944	152,536,317	94,186,332	19,320,775	1,865,849	486,963,403
Financial investments							
Financial assets measured at fair value through profit and loss	-	-	-	1,547,004	5,324,032	23,293,427	30,164,463
Financial assets measured at fair value through other comprehensive income	-	-	-	294,020	15,507,655	823,869	16,625,544
Financial assets measured at amortised cost	2,866,553	28,349,580	63,004,676	157,763,203	124,776,110	6,404,367	383,164,489
Other financial assets	-	-	-	-	-	1,093,264	1,093,264
Total financial assets	197,034,243	97,808,694	306,602,089	253,790,559	164,928,572	101,963,990	1,122,128,147
Borrowings from central bank	-	3,980,300	56,919,030	-	-	1,414,477	62,313,807
Deposits from banks and other financial institutions	6,400,447	12,960,000	15,800,300	-	-	278,554	35,439,301
Placements from banks and other financial institutions	5,354,482	5,180,000	15,961,770	-	-	203,747	26,699,999
Derivative financial liabilities	-	-	-	-	-	81,746	81,746
Financial assets sold under repurchase agreement	2,383,006	2,640,039	1,304,810	-	-	45,345	6,373,200
Deposits from customers	306,621,361	98,496,248	156,492,667	151,386,738	-	12,002,800	724,999,814
Debt securities issued	2,237,221	43,145,576	104,364,898	13,893,834	8,997,930	538,750	173,178,209
Other financial liabilities	-	-	-	-	35,904	5,070,326	5,106,230
Total financial liabilities	322,996,517	166,402,163	350,843,475	165,280,572	9,033,834	19,635,745	1,034,192,306
Interest rate risk gap	(125,962,274)	(68,593,469)	(44,241,386)	88,509,987	155,894,738	82,328,245	87,935,841

Notes to the Consolidated Financial Statements (Continued)

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(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Interest rate risk (Continued)

The following table illustrates the potential impact after taxation of a parallel upward or downward shift of 100 basis points in RMB's yield curve on the net profit and comprehensive income, based on the Group's position of interest-bearing assets and liabilities at the end of the reporting period.

	2021		2020	
	Net profit	Other comprehensive income	Net profit	Other comprehensive income
+100 basis points	<u>505,582</u>	<u>355,207</u>	<u>347,447</u>	<u>118,513</u>
- 100 basis points	<u>(505,582)</u>	<u>(355,207)</u>	<u>(347,447)</u>	<u>(118,513)</u>

Given the nature of demand deposits, their interest rate fluctuations are less volatile than those of other products; therefore the impact of yield curves movement on interest expenses related to demand deposits has been excluded.

The sensitivity analysis on net profit is based on reasonably possible changes in interest rates in the coming year with the assumption that the structure of financial assets and financial liabilities held at the end of the reporting period remain unchanged.

The sensitivity analysis on equity is the effect on changes of fixed rate financial assets at end of the reporting period after adjusting in accordance with the reasonably possible changes in interest rates.

The Group, based on regulatory requirement, conducts interest risk management in accordance with relevant regulations in Basel Accord.

This assumption does not represent the policy of use of funds and interest rate risk management of the Group. Therefore, the impact mentioned above may be different from actual situations.

Besides, the impact analysis of changes in interest rate mentioned above is a way of illustration, showing the estimated changes of net profit and other comprehensive income in cases of estimated yield and current interest risk of the Group. However, the risk management measures which may be adopted by management have not been taken into consideration in the analysis.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(5) Market risk (Continued)

Other price risk

Other price risk mainly stem from the Group's equity investments. The Group believes that other price risks faced by the Group are not significant.

(6) Capital management

The Group's and the Bank's objectives on capital management are to:

- safeguard the Group's and the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- support the Group's and the Bank's stability and growth;
- allocate capital in an efficient and risk based approach to optimise risk adjusted return to the shareholders; and
- maintain an adequate capital base to support the development of business.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with Administrative Measures on the Capital of Commercial Banks (Trial). For systematically important banks, CBIRC requires minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50%, respectively. For non-systematically important banks, CBIRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. As at 31 December 2021 and 31 December 2020, the Group is in compliance with these legal and regulatory requirements.

The weighted credit risk assets of on-balance sheet exposures are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantee. The similar calculation is adopted for off-balance sheet credit risk exposures, with adjustments made to reflect the more contingent nature of any potential loss. Market risk-weighted assets are calculated using the standardised approach. Basic indicator approach is used to calculate the risk weighted assets of operational risk.

The Group calculated the following core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with Administrative Measures on the Capital of Commercial Banks (Trial) and relevant requirements promulgated by the CBIRC.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

50. FINANCIAL RISK MANAGEMENT (Continued)

(6) Capital management (Continued)

	As at 31 December 2021	As at 31 December 2020
Core tier-one capital adequacy ratio	12.47%	11.96%
Tier-one capital adequacy ratio	12.98%	11.97%
Capital adequacy ratio	14.77%	14.28%
Components of capital base		
Core tier-one capital:		
Share capital	11,357,000	11,357,000
Valid portion of capital reserve	20,479,146	20,238,135
Surplus reserve and general reserve	28,812,075	26,125,900
Retained earnings	40,306,220	35,947,699
Valid portion of non-controlling interests	756,366	656,046
Total core tier-one capital	101,710,807	94,324,780
Deductions:		
Goodwill	(440,129)	(440,129)
Other intangible assets	(207,608)	(157,913)
Other deductible items from core tier-one capital	10,367	–
Net core tier-one capital	101,073,437	93,726,738
Other tier-one capital:		
Other equity instruments	3,998,338	–
Non-controlling interests	100,849	87,473
Net tier-one capital	105,172,624	93,814,211
Tier-two capital		
Valid portion of tier-two capital instruments issued and related premium	5,000,000	9,000,000
Surplus provision for loan impairment	9,291,352	8,947,105
Valid portion of non-controlling interests	201,697	174,945
Net capital base	119,665,673	111,936,261
Risk-weighted assets		
Credit-risk-weighted assets	752,599,489	724,715,545
Market-risk-weighted assets	4,098,886	8,699,411
Operational risk-weighted assets	53,536,117	50,509,324

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Level 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available such as the market price of the listed equity securities on exchanges. Where Level 1 inputs are not available, the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models, including discounted cash flow analysis, using prices from observable current market transactions for similar instruments to the extent available.

The main valuation techniques used by the Group is the discounted cash flow model for financial instruments. The main inputs used in discounted cash flow model include recent transaction prices, interest rates, own credit spread and counterparty credit spreads, as appropriate. If these parameters used in the model are substantively based on observable market data and/or obtainable from active open market, the instruments are classified as Level 2.

The following tables give the information about how the fair values of these financial assets and financial liabilities are categorised and determined (in particular, the valuation technique(s) and inputs used).

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial liabilities	Nature of assets/ liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
		31/12/2021	31/12/2020		
Financial assets measured at fair value through profit or loss	Debt securities issued by:				
	– Governments	595,396	–	Level 2	See Note 1.
	– Public sector and quasi-governments	144,923	1,651,528	Level 2	See Note 1.
	– Financial institutions	3,192,034	5,219,508	Level 2	See Note 1.
	– Corporations	556,181	–	Level 2	See Note 1.
	WMPs issued by other financial institutions	826,838	2,265,065	Level 3	Based on net asset value report provided by a third party.
	Interbank Certificates of deposit issued	1,273,177	–	Level 2	See Note 1.
	Funds	8,124,980	–	Level 1	
	Funds	23,501,986	21,028,362	Level 2	See Note 1.
	Trust and asset management plans	10,119,419	–	Level 3	Based on net asset value report provided by a third party.
Others	12,630	–	Level 3	P/B model. Based on book value of net assets.	
Derivatives	Assets	27,501	58,492	Level 2	Discounted cash flows. Future cash flows are estimated based on foreign currency forward rates (from observable yield curves at the end of the reporting period), discounted at a rate that reflects the credit risk of various counterparties.
	Liabilities	12,447	81,746		
	Assets	4,720	–	Level 3	Discounted cash flows. Future cash flows are estimated based on possible cash inflow discounted at a rate that reflects credit risk.
Loans and advances to customers	Loans and advances to customers measured at fair value through other comprehensive income	26,326,500	17,710,890	Level 3	Discounted cash flows. Future cash flows are estimated at face value and discounted using market interest rates adjusted by risk premium.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Financial assets/ financial liabilities	Nature of assets/ liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)
		31/12/2021	31/12/2020		
Financial assets measured at fair value through other comprehensive income	Listed equity securities issued by:				
	– Financial institutions	73,798	134,203	Level 2	Based on observable share market price and adjusted for the lack of marketability.
	– Financial institutions	715,905	–	Level 1	
	– Other institutions	–	428,118	Level 2	Based on observable share market price and adjusted for the lack of marketability.
	Unlisted equity securities issued by:				
	– Financial institutions	8,000	8,000	Level 3	Discounted cash flows. Future cash flows are estimated based on possible cash inflow discounted at a rate that reflects liquidity risk.
	Debt securities issued by:				
	– Public sector and quasi-governments	31,598,570	15,755,737	Level 2	See Note 1.
	– Governments	15,428,237	–	Level 2	See Note 1.
	– Financial institutions	1,008,953	299,486	Level 2	See Note 1.

Note 1: The debt securities traded on China Domestic Interbank Bond Market are classified into Level 2. Their fair values are provided by China Central Depository And Clearing Co., Ltd. (CCDCC), and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement. Fund investment valuation is based on observable quotes in the market.

There were no significant transfers between all levels during the year of 2021 and 2020.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Reconciliation from the opening balances to the ending balances for fair value measurement in level 3 of the fair value hierarchy

	2021			
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Loans and advances to customers	Derivative financial assets
As at 1 January 2021	2,265,065	8,000	17,710,890	–
Total gain or loss:				–
– Profit and loss	175,265	–	445,310	–
– Other comprehensive income	–	–	28,749	–
Purchases	13,341,350	–	44,865,669	4,720
Sales and settlements	(4,822,793)	–	(36,724,118)	–
As at 31 December 2021	<u>10,958,887</u>	<u>8,000</u>	<u>26,326,500</u>	<u>4,720</u>

Unrealised gains for the year 2021 included in profit and loss for financial assets measured at fair value through profit or loss is RMB118 million.

	2020		
	Financial assets measured at fair value through profit or loss	Financial assets measured at fair value through other comprehensive income	Loans and advances to customers
As at 1 January 2020	13,217,558	8,000	20,086,701
Total gain or loss:			
Purchases	5,040,000	–	37,094,234
Sales and settlements	(16,037,558)	–	(39,446,515)
As at 31 December 2020	<u>2,265,065</u>	<u>8,000</u>	<u>17,710,890</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value financial assets and financial liabilities that are not measured at fair value on a recurring basis

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not measured at their fair values. Financial assets and liabilities for which the carrying amounts approximate their fair values, such as balances with central bank, deposits with banks and other financial institutions, placements with banks and other financial institutions, financial assets held under recale agreements, borrowings from central bank, deposits from banks and other financial institutions, placements from banks and other financial institutions and financial assets sold under repurchase agreements are not included in the tables below.

	As at 31 December 2021		As at 31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans and advances to customers	531,008,496	544,311,421	469,252,513	472,456,273
Financial assets measured at amortised cost	424,417,885	433,008,371	383,164,489	389,408,736
Total	955,426,381	977,319,792	852,417,002	861,865,009
Financial liabilities				
Deposits from customers	759,360,236	777,417,528	724,999,814	742,786,904
Debt securities issued	225,254,410	225,578,430	173,178,209	173,176,429
Total	984,614,646	1,002,995,958	898,178,023	915,963,333

The Group determines the fair value of debt securities issued by adopting level 2; determines the fair value of financial assets measured at amortised cost by adopting level 2 or 3.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

51. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

The following table gives the information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)	
	31 December 2021	31 December 2020			
Loans and advances to customers	544,311,421	472,456,273	Level 3	See Note 2.	
Financial assets measured at amortised cost	Debt securities issued by:				
	– Government	166,511,932	114,425,337	Level 2	See Note 1.
	– Government	85,175	64,036	Level 3	See Note 2.
	– Public sector and quasi-governments	68,301,372	52,990,504	Level 2	See Note 1.
	– Financial institutions	78,479,543	54,332,904	Level 2	See Note 1.
	– Corporations	60,322,780	62,696,029	Level 2	See Note 1.
	Interbank deposit certificates	27,353,555	61,516,206	Level 2	See Note 1.
	Debt financing plans	25,769,760	33,417,769	Level 3	See Note 2.
	Trust plans	6,184,254	9,965,951	Level 3	
Deposits from customers	777,417,528	742,786,904	Level 3	See Note 2.	
Debt securities issued	225,578,430	173,176,429	Level 2	See Note 1.	

Note 1: The debt securities traded on China Domestic Interbank Bond Market are classified into Level 2. Their fair values are provided by CCDCC and determined by using the present value valuation technique under income approach and applying the respective interest yield curves of relevant debt securities as the key parameter for their fair value measurement.

Note 2: The fair values of financial instruments classified into Level 3 are mainly determined by using the discounted cash flow method, which future cash flows determined by contractual cash flows and reference interest rates are used.

There were no significant transfers between all levels during the year of 2021 and 2020.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

52. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK

	NOTE	As at 31 December 2021	As at 31 December 2020
Assets			
Cash and balances with central bank		61,182,461	65,193,644
Deposits with banks and other financial institutions		15,703,643	25,942,124
Placements with banks and other financial institutions		94,737,174	113,700,444
Derivative financial assets		32,221	58,492
Financial assets held under resale agreements		980,305	1,303,008
Loans and advances to customers		510,915,019	446,485,876
Financial investments			
Financial assets measured at fair value through profit or loss		49,866,893	31,165,230
Financial assets measured at fair value through other comprehensive income		47,011,698	16,625,544
Financial assets measured at amortised cost		424,520,703	382,454,202
Investment in subsidiaries	22	5,403,379	5,403,379
Investment in associates	22	451,432	450,328
Property and equipment		4,497,823	4,634,749
Right-of-use assets		122,325	119,017
Deferred tax assets		8,878,215	7,234,928
Goodwill		440,129	440,129
Other assets		1,403,234	1,699,188
Total Assets		<u>1,226,146,654</u>	<u>1,102,910,282</u>
Liabilities			
Borrowings from central bank		80,333,772	62,130,960
Deposits from banks and other financial institutions		29,901,505	36,364,524
Placements from banks and other financial institutions		5,235,755	2,518,551
Derivative financial liabilities		12,447	81,746
Financial assets sold under repurchase agreements		19,088,452	6,373,200
Deposits from customers		757,382,875	723,246,055
Accrued staff costs		5,036,244	4,412,402
Corporate income tax payable		262,379	889,066
Lease liabilities		105,079	105,607
Debt securities issued		223,300,903	171,226,188
Other liabilities		2,806,624	3,210,564
Total liabilities		<u>1,123,466,035</u>	<u>1,010,558,863</u>

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

52. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

	NOTE	As at 31 December 2021	As at 31 December 2020
Equity			
Share capital	37	11,357,000	11,357,000
Other equity instruments	38	3,998,338	–
Capital reserve	39	21,023,997	21,023,997
Investment revaluation reserve	40	191,918	(417,958)
Actuarial changes reserve		(640,885)	(268,525)
Surplus reserve	41	12,930,678	12,069,842
General reserve	42	15,227,334	13,524,906
Retained earnings	43	38,592,239	35,062,157
Total equity		<u>102,680,619</u>	<u>92,351,419</u>
Total liabilities and equity		<u>1,226,146,654</u>	<u>1,102,910,282</u>

Approved and authorised for issue by the Board of Directors on 30 March 2022.

LIU JIANZHONG

CHAIRMAN

XIE WENHUI

EXECUTIVE DIRECTOR AND PRESIDENT

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

52. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE BANK (Continued)

Reserve movement of the Bank

	2021						
	Capital reserve	Other equity instruments	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2021	21,023,997	–	(417,958)	(268,525)	12,069,842	13,524,906	35,062,157
Profit for the year	–	–	–	–	–	–	8,608,359
Other comprehensive income	–	–	616,117	(372,360)	–	–	–
Total comprehensive income for the year	–	–	616,117	(372,360)	–	–	8,608,359
Capital contribution from other equity instrument holders	–	3,998,338	–	–	–	–	–
Appropriation to surplus reserve	–	–	–	–	860,836	–	(860,836)
Appropriation to general reserve	–	–	–	–	–	1,702,428	(1,702,428)
Dividend distribution	–	–	–	–	–	–	(2,521,254)
Transfer from investment revaluation reserve to retained earnings	–	–	(6,241)	–	–	–	6,241
As at 31 December 2021	21,023,997	3,998,338	191,918	(640,885)	12,930,678	15,227,334	38,592,239
	2020						
	Capital reserve	Other equity instruments	Investment revaluation reserve	Actuarial changes reserve	Surplus reserve	General reserve	Retained earnings
As at 1 January 2020	21,023,997	–	(106,558)	(336,069)	11,283,588	12,231,636	31,891,253
Profit for the year	–	–	–	–	–	–	7,862,538
Other comprehensive income	–	–	(311,400)	67,544	–	–	–
Total comprehensive income for the year	–	–	(311,400)	67,544	–	–	7,862,538
Appropriation to surplus reserve	–	–	–	–	786,254	–	(786,254)
Appropriation to general reserve	–	–	–	–	–	1,293,270	(1,293,270)
Dividend distribution	–	–	–	–	–	–	(2,612,110)
As at 31 December 2020	21,023,997	–	(417,958)	(268,525)	12,069,842	13,524,906	35,062,157

Notes to the Consolidated Financial Statements (Continued)

For the year ended 31 December 2021

(Amounts in thousands of Renminbi, unless otherwise stated)

53. BENEFITS AND INTERESTS OF DIRECTORS AND SUPERVISORS

- (1) According to section 383 of the Hong Kong Companies Ordinance, the emoluments and retirement benefits of directors are disclosed in Note 10, payments or benefits in respect of termination of directors' services, material interests of directors in transactions, arrangements or contracts entered into by the Bank or another company in the same group of companies, and consideration provided to or receivable by third parties for making available the services of a person as a director or in any other capacity is not material during the year 2021 (2020: not material).
- (2) Principal balance of loans and credit transactions provided to certain controlled body corporates and connected entities of directors and supervisors:

Name of the borrower	As at 31 December 2020	As at 31 December 2021	Maximum outstanding during the year 2021	Amounts fallen due but not been paid as at 31 December 2021	Provisions as at 31 December 2021	Term	Interest Rate (%)	Security
Connected entities	5,644,636	3,204,422	5,644,636	-	8,324	3 to 7 years	3.8-4.75	Guarantee, and equity, etc.

54. EVENT AFTER THE REPORTING PERIOD

- (1) On 24 January 2022, the Board of Directors of the Bank proposed to approve the pre-restructuring of substantive merger and reorganization for 13 companies including Loncin Group. The court ruled to accept the reorganization application. The Bank claimed creditor's rights in a total amount of RMB7,262 million. It takes effect after the resolution is passed at the shareholders' meeting.
- (2) On 30 March 2022, as proposed by the Board of Directors of the Bank, the Bank passed the 2021 annual profit distribution plan, which was disclosed in Note 14 Dividends, Note 41 Surplus Reserve and Note 42 General Reserve. It takes effect after the resolution is passed at the shareholders' meeting.

Besides the items mentioned above, the Group and the Bank have no significant events after the reporting period.

Unaudited Supplemental Financial Information

For the year ended 31 December 2021

(Amounts in millions of Renminbi, unless otherwise stated)

LIQUIDITY RATIO

(Expressed in percentage)

THE GROUP

	As at 31 December	As at 31 December
RMB current assets to RMB current liabilities	79.86	57.06
Foreign currency current assets to foreign currency liabilities	<u>92.89</u>	<u>98.87</u>

LIQUIDITY COVERAGE RATIO

THE GROUP

	As at 31 December 2021	As at 31 December 2020
Liquidity coverage ratio (expressed in percentage)	<u>282.27</u>	<u>186.99</u>

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2021

(Amounts in millions of Renminbi, unless otherwise stated)

CURRENCY CONCENTRATIONS

THE GROUP

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2021				
Spot assets	2,384.2	1,013.9	3,196.4	6,594.5
Spot liabilities	(1,811.4)	(932.2)	(6,192.1)	(8,935.7)
Forward purchases	318.8	288.4	2,995.3	3,602.5
Forward sales	(509.6)	(370.2)	–	(879.8)
Net position	<u>382.0</u>	<u>(0.1)</u>	<u>(0.4)</u>	<u>381.5</u>

	Equivalent in Renminbi			Total
	US Dollars	Hong Kong Dollars	Others	
As at 31 December 2020				
Spot assets	4,657.4	196.7	444.7	5,298.8
Spot liabilities	(4,371.6)	(179.2)	(53.2)	(4,604.0)
Forward purchases	1,587.5	–	–	1,587.5
Forward sales	(1,299.1)	–	(390.0)	(1,689.1)
Net position	<u>574.2</u>	<u>17.5</u>	<u>1.5</u>	<u>593.2</u>

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2021

(Amounts in millions of Renminbi, unless otherwise stated)

INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, the Group's international claims is the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include balances with central banks, deposits with banks and other financial institutions, placements with banks and other financial institutions and loans and advances to customers.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfer. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

	Banks and other financial institutions	Non-bank private sectors	Total
As at 31 December 2021			
Asia Pacific	1,538.6	1,264.8	2,803.4
– of which attributed to Hong Kong	480.5	–	480.5
North America	205.1	–	205.1
Europe	53.2	–	53.2
Total	1,796.9	1,264.8	3,061.7

	Banks and other financial institutions	Non-bank private sectors	Total
As at 31 December 2020			
Asia Pacific	1,697.7	2,426.8	4,124.5
– of which attributed to Hong Kong	191.5	–	191.5
North America	625.7	–	625.7
Europe	34.3	–	34.3
Total	2,357.7	2,426.8	4,784.5

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2021

(Amounts in millions of Renminbi, unless otherwise stated)

SUMMARY OF INFORMATION ON GEOGRAPHICAL SEGMENTS

When information is prepared based on the geographical segments, total operating income is allocated in accordance with the locations of branches recording the income. The table below sets forth the total operating income attributable to county area branches and urban area branches for the periods indicated.

	For the year ended 31 December 2021			For the year ended 31 December 2020		
	County Area ⁽¹⁾	Urban Area	Total	County Area ⁽¹⁾	Urban Area	Total
Net interest income	6,572.1	19,662.7	26,234.8	4,393.4	19,855.5	24,248.9
Net fee and commission income	1,121.4	1,602.8	2,724.2	1,143.4	1,759.5	2,902.9
Net trading gain	–	1,239.1	1,239.1	–	767.5	767.5
Share of profits of associates	–	1.1	1.1	–	0.3	0.3
Other operating income, net	43.2	483.1	526.3	50.1	174.6	224.7
Net gains on disposal of financial assets measured at fair value through other comprehensive income	–	119.2	119.2	–	36.6	36.6
Net gains on disposal of financial assets measured at amortised cost	–	5.0	5.0	–	1.0	1.0
Total operating income	7,736.7	23,113.0	30,849.7	5,586.9	22,595.0	28,181.9
Internal transfer of income and expense	6,916.3	(6,916.3)	–	7,397.5	(7,397.5)	–
Income after adjustment	<u>14,653.0</u>	<u>16,196.7</u>	<u>30,849.7</u>	<u>12,984.4</u>	<u>15,197.5</u>	<u>28,181.9</u>

- (1) County Area refers to regions other than Urban Area of Chongqing City. The information of County Area also includes the information of the twelve village and township bank subsidiaries and the information of Qujing Branch.

Unaudited Supplemental Financial Information (Continued)

For the year ended 31 December 2021

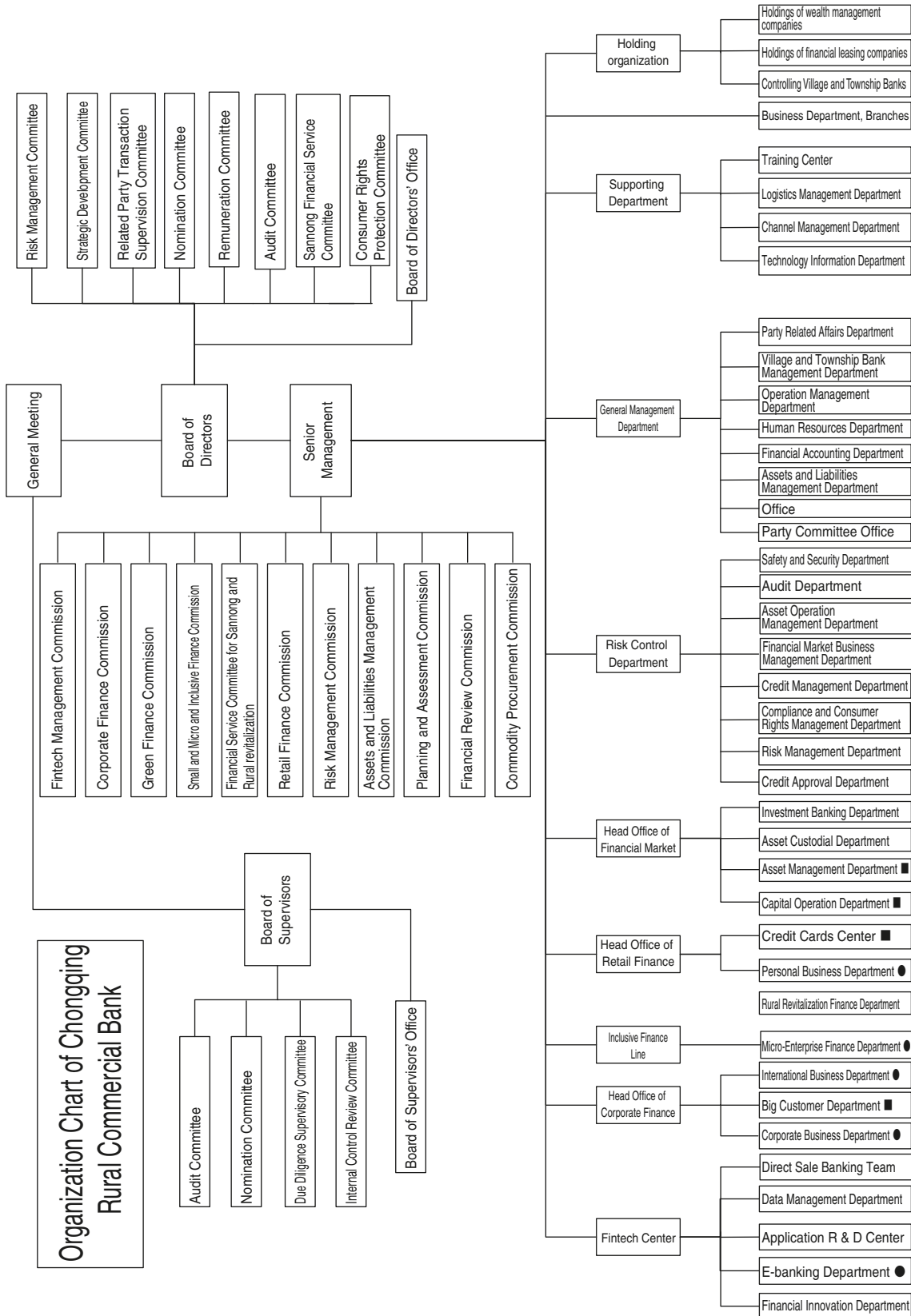
(Amounts in millions of Renminbi, unless otherwise stated)

Abstract of geographical segments

(Expressed in percentage)	31 December			
	2021		2020	
	County Area	Urban Area	County Area	Urban Area
Deposits	70.62	29.38	70.04	29.96
Loans	52.00	48.00	50.79	49.21
Assets	50.69	49.31	52.91	47.09
Loan-deposit ratio	<u>56.44</u>	<u>125.28</u>	<u>50.80</u>	<u>115.06</u>

(Expressed in percentage)	31 December			
	2021		2020	
	County Area	Urban Area	County Area	Urban Area
Return on average total assets	0.72	0.90	0.70	0.89
Net fee and commission income to operating income	7.65	9.90	8.81	11.58
Cost-to-income ratio	<u>29.90</u>	<u>25.48</u>	<u>33.14</u>	<u>23.73</u>

Organizational Chart



Notes:
 ■ representing the implementation of division of the system management mode;
 ● representing the implementation of the prospective division of the system management mode;
 □ unidentified representing the implementation of straight line management mode.

Branches and Subsidiaries

Branches

Qujing Branch

Address: Block 2 and 3, "Renhe Garden, Yunding Town Center" Dahua Bridge, Qilin West Road, Qilin District, Qujing City, Yunnan Province
Postal Code: 655000
Tel: 0874-3193599
Fax: 0874-3193599

Liangjiang Branch

Address: No. 21, 23, 25 Jintong Road, New North Zone, Chongqing City
Postal Code: 401122
Tel: 023-88502278
Fax: 023-88502278

Kexuecheng Branch

Address: No. 28, Xiyong Avenue, High-tech Zone, Chongqing City
Postal Code: 401332
Tel: 023-65002879
Fax: 023-65002879

Wanzhou Branch

Address: No. 91 Taibai Road, Wanzhou District, Chongqing City
Postal Code: 404100
Tel: 023-58156261
Fax: 023-58156260

Jiangjin Branch

Address: No. 319 Jijiang Section, Binjiang Avenue, Jiangjin District, Chongqing City
Postal Code: 402260
Tel: 023-47522632
Fax: 023-47522632

Hechuan Branch

Address: No. 2 Jiuchang Road, Hechuan District, Chongqing City
Postal Code: 401520
Tel: 023-42835185
Fax: 023-42841214

Fuling Branch

Address: Block 1, Hongfu Building No. 55 Xinghua Middle Road, Fuling District, Chongqing City
Postal Code: 408000
Tel: 023-72238022
Fax: 023-72237722

Sub-branches

Yuzhong Branch

Address: No. 142 Xinhua Road, Yuzhong District, Chongqing City
Postal Code: 400011
Tel: 023-63716557
Fax: 023-63716557

Jiangbei Branch

Address: 1-1, No. 10, Yanghe Road East, Jiangbei District, Chongqing City
Postal Code: 400020
Tel: 023-61310036
Fax: 023-61310065

Shapingba Branch

Address: No. 37, 38 and 39, No. 118 Xiaoyanggong Bridge, Shapingba District, Chongqing City
Postal Code: 400030
Tel: 023-65332566
Fax: 023-65332566

Dadukou Branch

Address: 1-3, 1-4-1-1, Block 1, 1-4-1-2, 1-4-2-2, Block 1, 11 Tianchenhuafu, Chunhui Road Street, Dadukou District, Chongqing City

Branches and Subsidiaries

Postal Code: 400084
Tel: 023-68836636
Fax: 023-68901484

Nan'an Branch

Address: No. 24 Jiangnan Avenue,
Nanping, Nan'an District,
Chongqing City

Postal Code: 400060
Tel: 023-62947517
Fax: 023-62982743

Jiulongpo Branch

Address: No. 2 Xijiao Road, Yang Jia Ping,
Jiulongpo District, Chongqing City

Postal Code: 400050
Tel: 023-68437557
Fax: 023-68437557

Beibei Branch

Address: No. 20 Beixia West Road, Beibei:
District, Chongqing City

Postal Code: 400700
Tel: 023-68864083
Fax: 023-68862728

Yubei Branch

Address: 1-1, Block 1, No. 91 Shuanglong
Avenue, Shuanglonghu Street,
Yubei District, Chongqing City

Postal Code: 401120
Tel: 023-67824010
Fax: 023-67822014

Ba'nán Branch

Address: No. 145 Longzhou Avenue,
Ba'nán District, Chongqing City

Postal Code: 400055
Tel: 023-66212977
Fax: 023-66222960

Wansheng Branch

Address: No. 36 Wandong North Road,
Wansheng District, Chongqing
City

Postal Code: 400800
Tel: 023-48299505
Fax: 023-48299504

Changshou Branch

Address: No. 13 Xiangyang Road,
Fengcheng Street Office,
Changshou District, Chongqing
City

Postal Code: 401220
Tel: 023-40245293
Fax: 023-40240574

Yongchuan Branch

Address: No. 399, Honghe Middle Road,
Yongchuan District, Chongqing
City

Postal Code: 402160
Tel: 023-49863765
Fax: 023-49885099

Nanchuan Branch

Address: No. 24 Jinfo Avenue, Nanchuan
District, Chongqing City

Postal Code: 408400
Tel: 023-71423626
Fax: 023-71429898

Qijiang Branch

Address: No. 34 Jiulong Avenue, Wenlong
Street, Qijiang District, Chongqing
City

Postal Code: 401420
Tel: 023-48663139
Fax: 023-48658598

Tongnan Branch

Address: No. 4, Xingtong Avenue, Guilin Street Office, Tongnan District, Chongqing City
 Postal Code: 402660
 Tel: 023-44551908
 Fax: 023-44554249

Tongliang Branch

Address: No. 102 Zhongxing Road, Bachuan Street, Tongliang District, Chongqing City
 Postal Code: 402560
 Tel: 023-45682975
 Fax: 023-45673031

Dazu Branch

Address: Annex No. 2 No.390 Wuxing Avenue, Tangxiang Street Office, Dazu District, Chongqing City
 Postal Code: 402360
 Tel: 023-43711711
 Fax: 023-43722323

Rongchang Branch

Address: No. 106 Haitang Avenue, Changzhou Street Office, Rongchang District, Chongqing City
 Postal Code: 402460
 Tel: 023-46732980
 Fax: 023-46735395

Bishan Branch

Address: No. 4 Bitong Road, Bicheng Street Office, Bishan District, Chongqing City
 Postal Code: 402760
 Tel: 023-41427834
 Fax: 023-41427834

Liangping Branch

Address: No. 1, Block 26, Minghao Commercial Area, Liangshan Street, Liangping District, Chongqing City
 Postal Code: 405200
 Tel: 023-53223401
 Fax: 023-53223401

Chengkou Branch

Address: No. 30 South Street, Gecheng Town, Chengkou County, Chongqing City
 Postal Code: 405900
 Tel: 023-59221503
 Fax: 023-59221503

Fengdu Branch

Address: No. 187 2nd Shangye Road, Sanhe Street, Fengdu County, Chongqing City
 Postal Code: 408299
 Tel: 023-70736661
 Fax: 023-70736533

Dianjiang Branch

Address: No. 371 Renmin East Road, Guixi Street, Dianjiang County, Chongqing City
 Postal Code: 408300
 Tel: 023-74512937
 Fax: 023-74685719

Zhong County Branch

Address: No. 49 Ba Wang Road, Zhongzhou Street, Zhong County, Chongqing City
 Postal Code: 404300
 Tel: 023-54235902
 Fax: 023-54243942

Kaizhou Branch

Address: (Shimin Plaza) Kaizhou Avenue, Hanfeng Street Office, Kaizhou District, Chongqing City
 Postal Code: 405400
 Tel: 023-52250812
 Fax: 023-52250253

Branches and Subsidiaries

Yunyang Branch

Address: No. 1335 Yunjiang Avenue,
Qinglong Street, Yunyang County,
Chongqing City
Postal Code: 404500
Tel: 023-55161480
Fax: 023-55161480

Fengjie Branch

Address: No. 32 Gongping Lane, Yufu
Street, Fengjie County, Chongqing
City
Postal Code: 404699
Tel: 023-56560373
Fax: 023-56560229

Wushan Branch

Address: No. 258 Guangdong Middle Road,
Wushan County, Chongqing City
Postal Code: 404700
Tel: 023-57680904
Fax: 023-67680904

Wuxi Branch

Address: Unit 1-1, No.7 Yanghe Garden,
No. 25, Binhe Zhilu, Boyang
Street, Wuxi County, Chongqing
City
Postal Code: 405899
Tel: 023-51529828
Fax: 023-51520799

Qianjiang Branch

Address: No. 217 Jiefang Road, Chengdong
Street, Qianjiang District, Chongqing
City
Postal Code: 409000
Tel: 023-79236496
Fax: 023-79236496

Shizhu Branch

Address: Annex No. 12, No. 36 Xinkai
Road, Nanbin Street, Shizhu Tujia
Autonomous County, Chongqing
City
Postal Code: 409100
Tel: 023-73332136
Fax: 023-73337976

Wulong Branch

Address: No. 36 Furong Middle Road, Furong
Street, Wulong District, Chongqing
City
Postal Code: 408500
Tel: 023-77723233
Fax: 023-77722595

Xiushan Branch

Address: No. 35, Yuxiu Avenue, Zhonghe
Street, Xiushan Tujia and Miao
Autonomous County, Chongqing
City
Postal Code: 409900
Tel: 023-76662163
Fax: 023-76671163

Youyang Branch

Address: No. 5, Taohuayuan Middle Road,
Taohuayuan Town, Youyang Tujia
and Miao Autonomous County,
Chongqing City
Postal Code: 409800
Tel: 023-75556144
Fax: 023-75552534

Pengshui Branch

Address: Annex 4, No. 2 Shizui Street, Hanjia
Street, Pengshui Miao and Tujia
Autonomous County, Chongqing
City
Postal Code: 409600
Tel: 023-78848842
Fax: 023-78849965

Subsidiaries

Jiangsu Zhangjiagang CQRC Village and Township Bank Co., Ltd. (江蘇張家港渝農商村鎮銀行股份有限公司)

Address: No. 487 and 489 Chang'an Road, Zhangjiagang City, Jiangsu Province
 Postal Code: 215600
 Tel: 0512-58918959
 Fax: 0512-58918969

Sichuan Dazhu CQRC Village and Township Bank Co., Ltd. (四川大竹渝農商村鎮銀行股份有限公司)

Address: Block H8/9, Huangge Commercial Plaza, Xinhua Road East, Zhuyang Town, Dazhu County, Sichuan Province
 Postal Code: 635100
 Tel: 0818-6256123
 Fax: 0818-6256616

Yunnan Dali CQRC Village and Township Bank Co., Ltd. (雲南大理渝農商村鎮銀行有限責任公司)

Address: No. 176 Yangbi Road, Economic Development Zone, Dali Prefecture, Yunnan Province
 Postal Code: 671000
 Tel: 0872-2188667
 Fax: 0872-2188667

Yunnan Xiangyun CQRC Village and Township Bank Co., Ltd. (雲南祥雲渝農商村鎮銀行有限責任公司)

Address: No. 16, Block 11, "Yinxiang Garden", Wenyuan Road north side, Xiangcheng Town, Xiangyun County, Dali Prefecture, Yunnan Province
 Postal Code: 672100
 Tel: 0872-3997552
 Fax: 0872-3122977

Yunnan Heqing CQRC Village and Township Bank Co., Ltd. (雲南鶴慶渝農商村鎮銀行有限責任公司)

Address: No. 15 Xinghe Road, Yunhe Town, Heqing County, Dali Prefecture, Yunnan Province
 Postal Code: 671500
 Tel: 0872-4123500
 Fax: 0872-4123500

Guangxi Luzhai CQRC Village and Township Bank Co., Ltd. (廣西鹿寨渝農商村鎮銀行有限責任公司)

Address: Huiyiliancheng Investment Annex Building, No. 8 Guiyuan Road, Chengnan New District, Luzhai Town, Luzhai County, Liuzhou City, Guangxi Zhuang Autonomous Region
 Postal Code: 545600
 Tel: 0772-6822818
 Fax: 0772-6663027

Fujian Shaxian CQRC Village and Township Bank Co., Ltd. (福建沙縣渝農商村鎮銀行有限責任公司)

Address: Floor 1 & 2, North Tower of Yongshun Building, Xincheng Central Road, Sha County, Sanming City, Fujian Province
 Postal Code: 365050
 Tel: 0598-5758880
 Fax: 0598-5758880

Fujian Fuan CQRC Village and Township Bank Co., Ltd. (福建福安渝農商村鎮銀行有限責任公司)

Address: No. 1 Guanhang Road, Cheng Bei, Fu'an City, Fujian Province
 Postal Code: 355000
 Tel: 0593-8988906
 Fax: 0593-8988920

Branches and Subsidiaries

Yunnan Shangri-La CQRC Village and Township Bank Co., Ltd. (雲南香格里拉渝農商村鎮銀行有限責任公司)

Address: 3AS-1-1, No. 7 Huajun Plaza,
Changzheng Avenue, Shangri-La
City, Yunnan Province
Postal Code: 674499
Tel: 0887-8980066
Fax: 0887-8989811

Fujian Shishi CQRC Village and Township Bank Co., Ltd. (福建石獅渝農商村鎮銀行有限責任公司)

Address: No. 2454, 2456, 2458, Hong Xing
International Building, Baqi Road,
Shishi City, Fujian Province
Postal Code: 362700
Tel: 0595-82269866
Fax: 0595-82268878

Fujian Pingtan CQRC Village and Township Bank Co., Ltd. (福建平潭渝農商村鎮銀行有限責任公司)

Address: A3-A6, 19th Row, Kangde Huayuan
Villa, Tancheng Town, Pingtan
County, Fujian Province
Postal Code: 350400
Tel: 0591-86175991
Fax: 0591-86175991

Yunnan Xishan CQRC Village and Township Bank Co., Ltd. (雲南西山渝農商村鎮銀行有限責任公司)

Address: No. 924, 926, 928 Dianchi Road,
Dianchi National Tourist Resort,
Kunming City, Yunnan Province
Postal Code: 650000
Tel: 0871-68183750
Fax: 0871-68188973

CQRC Financial Leasing Co., Ltd. (渝農商金融租賃有限責任公司)

Address: Floor 24 and 25, Twin towers A,
Buildings 3, No. 10, Qingfeng North
Road, Yubei District, Chongqing
Postal Code: 401121
Tel: 023-63569568
Fax: 023-63569555

CQRC Wealth Management Co., Ltd. (渝農商理財有限責任公司)

Address: 20/F and 21/F, Chengda-Jinjia
International Building, No.10, Guihua
Street Branch Road, Jiangbei
District, Chongqing
Postal Code: 400024
Tel: 023-61111693
Fax: 023-61110379