In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

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Statement of details of parent law and other information for an overseas company

Companies House

✓ **What this form is for**
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COMPANIES HOUSE

Part 1 Corporate company name

Corporate name of overseas company ❶	CHINA MINSHENG BANKING CORP., LTD
UK establishment number	B R 0 1 8 7 9 5

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and audited.

Legislation ❷	COMPANY LAW OF THE P.R.CHINA

❷ This means the relevant rules or legislation which regulates the preparation of accounts.

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted accounting principles?

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

☑ **Yes.** Please enter the name of the organisation or other body which issued those principles below, and then go to **Section A3.**

Name of organisation or body ❸	China Accounting Standards of Business Enterprises

❸ Please insert the name of the appropriate accounting organisation or body.

OS AA01

Statement of details of parent law and other information for an overseas company

A3 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.	❶ Please insert the name of the appropriate accounting organisation or body.
Name of organisation or body ❶	CICPA IFS	

Part 3 Signature

I am signing this form on behalf of the overseas company.

Signature

X X

This form may be signed by:
Director, Secretary, Permanent representative.

OS AA01

Statement of details of parent law and other information for an overseas company

Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name

Company name ALLIOTTS LLP

Address Imperial House, 8 Kean Street

London

Post town

County/Region

Postcode W C 2 B 4 A S

Country

DX

Telephone 020 7240 9971

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- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register.
- ☐ You have completed all sections of the form, if appropriate.
- ☐ You have signed the form.

Important information

Please note that all this information will appear on the public record.

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Further information

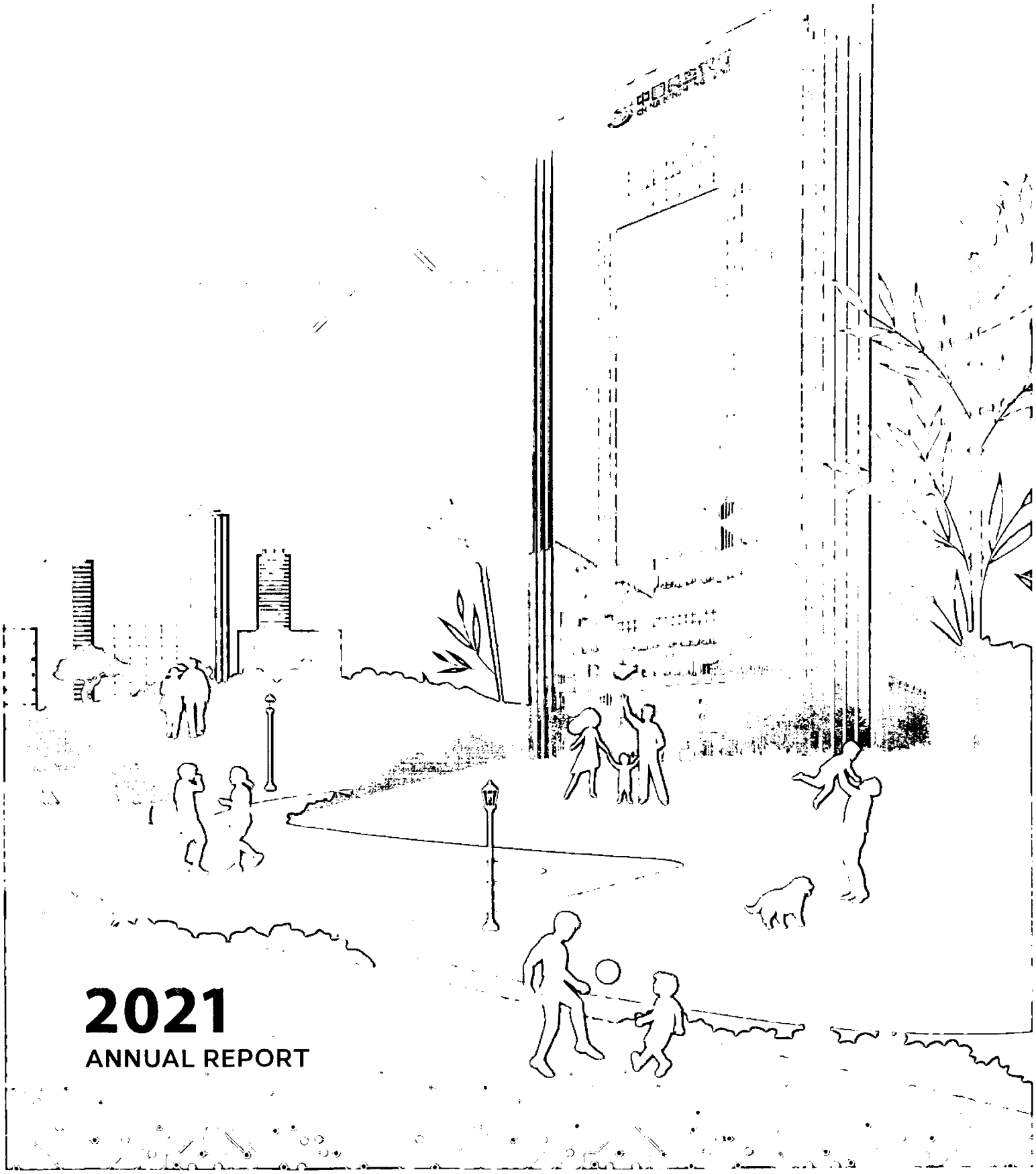
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中国民生银行
CHINA MINSHENG BANK

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

Stock Code: 01988



2021
ANNUAL REPORT

IMPORTANT NOTICE

The Board of Directors, the Board of Supervisors, and the Directors, Supervisors and Senior Management of the Bank warrant the truthfulness, accuracy and completeness of the contents of this Annual Report and there are no misstatements, misleading representations or material omissions in this Annual Report, and shall assume several and joint liability.

This Annual Report was considered and approved on 29 March 2022 at the 19th meeting of the eighth session of the Board of Directors of the Bank. Of the 18 Directors who were entitled to attend the meeting, 6 Directors attended the meeting in person. 12 Directors, being the Vice Chairmen ZHANG Hongwei, LU Zhiqiang and LIU Yonghao, and Directors SHI Yuzhu, WU Di, SONG Chunfeng, WENG Zhenjie, YANG Xiaoling, ZHAO Peng, XIE Zhichun, PENG Xuefeng, and QU Xinjiu, participated in the meeting by teleconference or video conference. Of the 9 Supervisors who were entitled to attend the meeting as non-voting delegates, 9 Supervisors attended the meeting as non-voting delegates.

PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers, auditors of the Bank, have audited the financial reports of 2021 prepared in accordance with the Chinese Accounting Standards ("CAS") and the International Financial Reporting Standards ("IFRSs"), respectively, and issued standard and unqualified auditors' reports, respectively.

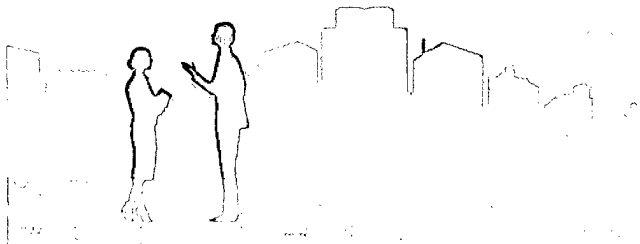
GAO Yingxin (Chairman), ZHENG Wanchun (President), LI Bin (person in charge of finance and accounting), and YIN Xuwen (person in charge of the accounting department) warrant the truthfulness, accuracy and completeness of the financial reports included in this Annual Report.

The profit distribution plan for 2021 was approved by the Board of Directors, pursuant to which, a cash dividend of RMB2.13 (tax inclusive) will be distributed to all shareholders of the Bank for every 10 shares held on the record dates. The above profit distribution plan is subject to approval by the Shareholders' General Meeting of the Bank.

The financial data and indicators contained in this Annual Report are prepared according to the rules of the IFRS. Unless otherwise specified, all amounts are the consolidated data of the Group and denominated in RMB.

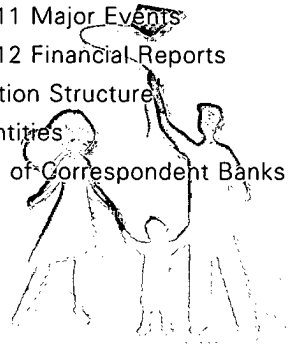
The forward-looking statements about matters such as future plans in this Annual Report do not constitute substantive commitments of the Bank to the investors, and the investors and related persons shall maintain sufficient risk awareness in this regard, and shall understand the difference among plans, forecasts and commitments.

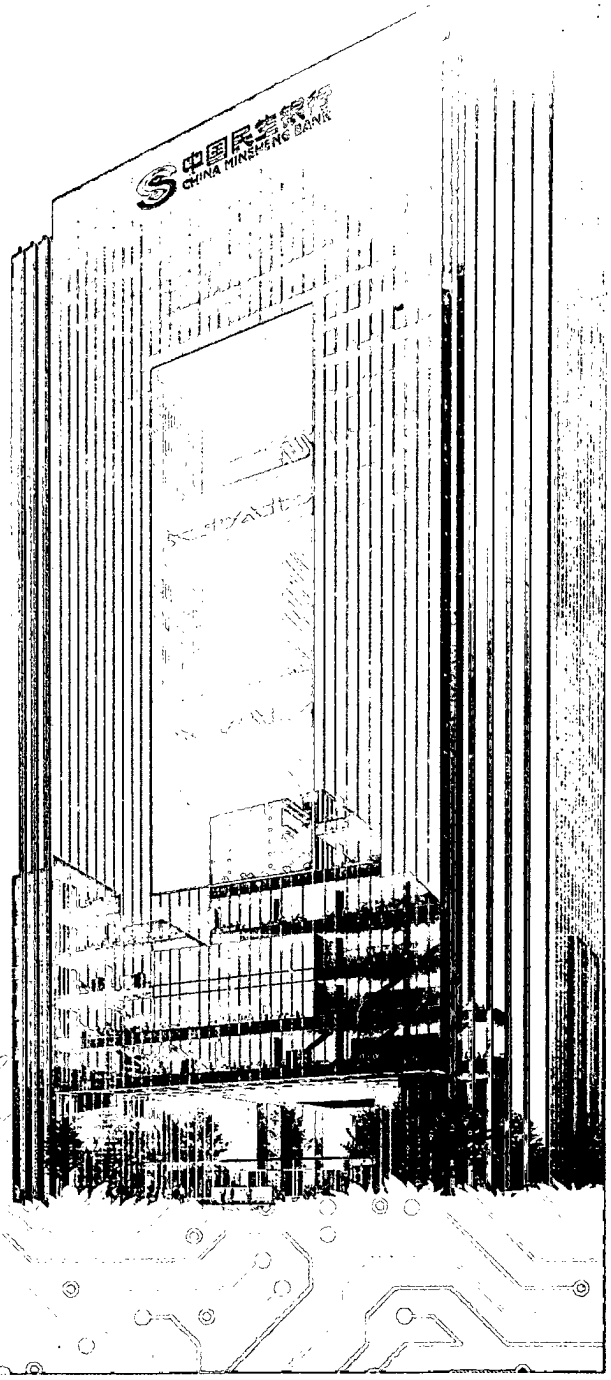
Material Risk Warning: the Bank has no foreseeable material risks. For potential risks, please refer to the section headed "XIII. Prospects - (II) Potential risks" under "Chapter 3 Management Discussion and Analysis" of this Report.



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DEFINITIONS

In this report, unless the context otherwise requires, the following terms shall have the meanings set out below.

Bank, Company, China Minsheng Bank, Minsheng Bank	China Minsheng Banking Corp., Ltd.
Group	the Company and its subsidiaries
Minsheng Financial Leasing	Minsheng Financial Leasing Co., Ltd.
Minsheng Royal Fund	Minsheng Royal Fund Management Co., Ltd.
Minsheng Royal Asset Management	Minsheng Royal Asset Management Co., Ltd.
CMBC International	CMBC International Holdings Limited
CPPCC National Committee	The National Committee of the Chinese People' s Political Consultative Conference
ACFIC	All-China Federation of Industry and Commerce
CBIRC	China Banking and Insurance Regulatory Commission
CSRC	China Securities Regulatory Commission
former CBRC	former China Banking Regulatory Commission
former CIRC	former China Insurance Regulatory Commission
SSE	Shanghai Stock Exchange
SZSE	Shenzhen Stock Exchange
SEHK	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	The Rules Governing the Listing of Securities on SEHK

DEFINITIONS

SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules
Articles of Association	the Articles of Association of China Minsheng Banking Corp., Ltd.
Reporting Period	the period from 1 January 2021 to 31 December 2021



Chairman

Mr. GAO Yingxin

MESSAGE FROM CHAIRMAN

Another year has passed. Everything takes on a new look. Looking back on 2021, facing the profound changes unseen in a century, and the fluctuated COVID-19 pandemic, China's economy has shown its resilience, made great stride in overcoming difficulties, and entered a new stage of high-quality development. Always in line with the Chinese economy, China Minsheng Bank forged ahead with one heart against pressure, and overcame difficulties with perseverance, maintaining a good momentum of steady progress and quality improvement.

In 2021, the Group recorded an operating income of RMB165.6 billion and a net profit attributable to holders of equity shares of the Bank of RMB34.4 billion. As at the end of 2021, total assets and the equity attributable to holders of equity shares of the Bank amounted to RMB6.95 trillion and RMB574.3 billion, net assets per share attributable to holders of ordinary shares of the Bank was RMB11.06, representing an increase of RMB0.56, as compared with the end of the previous year.

In 2021, we actively adapted to internal and external changes and developed the Five-Year Development Plan of China Minsheng Bank (2021-2025) 《中國民生銀行五年發展規劃(2021-2025)》. By focusing on the strategic positioning of "a bank for the non-state-owned enterprises (NSOEs), an agile and open bank, and a bank with considerate services", we strove to become the best bank serving the NSOEs, build an eco-bank, accelerate the construction of a smart bank, optimise basic products and services, strengthen efforts to provide sincere and considerate services, create value and grow together with our customers. We faced up to difficulties and strengthened our confidence. Focusing on the three major tasks of "serving the real economy, preventing and controlling financial risks, and deepening financial reform", we took the initiative to make structural adjustment and optimisation, which might bring some pressure on business performance in a short term perspective, but we believe the earlier we make adjustments, the sooner can we take initiatives to contribute to a more steady and sustainable development in a long run.

We deeply understand that as one of the systemically important banks in China, we must shoulder greater responsibilities and missions. We resolutely returned to the business origins, proactively integrated into the national strategies, and continuously enhanced the accuracy and effectiveness in serving the real economy. In 2021, domestic RMB loans of the Bank focused on inclusive finance, NSOEs and green finance, etc. The balance of inclusive small business loans exceeded RMB500 billion, representing an increase of nearly 13% as compared with the end of the previous year. The balance of mid- to long-term loans to the manufacturing industry increased by nearly 14%, and the proportions of loans related to agriculture, rural areas and farmers and green credit steadily increased. We continuously enhanced the business deployment in the key areas such as Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta, Beijing-Tianjin-Hebei and Chengdu-Chongqing, where we made innovations and reforms one step ahead of in other areas, and improved the capability of comprehensive services of the Bank. We earnestly implemented the national policy of lowering fees and surcharges by strictly complying with regulatory requirements and substantially reducing non-standard investments, and promoted the return of business to its origins. The daily average scale of trust and asset management plans, wealth management products and other non-standard investments decreased by RMB245.9 billion as compared with the corresponding period of the previous year, which affected the business income.

MESSAGE FROM CHAIRMAN

We are deeply aware that stable liabilities determine the development momentum and the core competitiveness of the Bank, and stable and loyal customer groups determine the level of liabilities. Over the past year, the whole Bank effectively changed mindsets and made every effort to focus on basic products and services. The comprehensive management of customer groups was deepened, and the basic customer groups expanded rapidly, which promoted significant increase of core liabilities[1]. In 2021, the number of domestic customers with balance of deposits and that of customers with newly opened deposit accounts both increased as compared with the corresponding period of the previous year. The increase of the number of effective corporate and retail customers was 3 times of that in 2020. As the basic customer groups continued to expand, the income from basic businesses gradually increased, and the income structure has been continuously optimised, laying a more solid foundation for the development of the Bank.

Risk management is the lifeline of a commercial bank. By adhering to the philosophy that "compliant operation is the core competitiveness", we strengthened the full-process, whole-link and all-round active management of credit risk, effectively prevented and controlled new risks and steadily improved asset quality. In 2021, the formation rate of NPLs was 2.26%, representing a decrease of 1.37 percentage points as compared with the corresponding period of the previous year. The NPL ratio of the Group at the end of the year was 1.79%, representing a decrease of 0.03 percentage points as compared with the end of the previous year. Regarding the risks in the real estate sector, we strictly implemented the regulatory requirements, and comprehensively improved the whole-process credit management capability. The Bank's existing real estate businesses mainly involved project loans and were mostly concentrated in the first- and second-tier cities, and were secured with project lands and construction projects in progress as collaterals, which were generally efficient in value. The risks of real estate projects were generally controllable. We also continuously increased the provision of allowances and strengthened the disposal of non-performing assets. In 2021, the Bank collected and disposed non-performing assets of RMB97.5 billion in total, and steadily enhanced the allowance to NPLs and the allowance to total loans.

Digital transformation is a watershed in the development of the banking sector, offering China Minsheng Bank an opportunity to change its race track. Taking systematic and all-round digital transformation as a new starting point for future business layout, we formulated the digital finance transformation strategy and invested more funds and talents to speed up the pace of transformation. We established the Digital Finance Innovation Department responsible for leading the digital finance transformation, launched multiple major ecosystem finance projects, and established the agile innovation mechanism and the supporting mechanisms, achieving key breakthroughs in establishing eco-bank and smart bank. We also pushed ahead with the enterprise-level business system architecture, built an integrated operation middle office, improved data governance and application, created an agile organisation and an innovation culture, and laid a solid foundation for digital transformation.

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[1] Core liabilities refer to other deposits than structured deposits and negotiated deposits.

MESSAGE FROM CHAIRMAN

Traditional banks now face shocks with the widespread application of new technologies and must deepen reforms across key links in important areas and build a new pattern for high-quality development at a faster pace. Committed to the "customer-centric" philosophy, we reformed the marketing system of corporate business, rebuilt the segmented and classified marketing system, and highlighted the comprehensive services, chain-based development and integrated marketing to "enhance businesses with the strategic customer group and expand businesses with the basic customer group". We launched the reform on credit approval system, highlighted stronger coordination between the first and the second line of defense with accountability mechanism in place for risk prevention and control, rapid responses to market demands, and higher professional capabilities and operation efficiency. In addition, we initiated the professional job sequence reform, implemented the financial resource reform, optimised the operation and management system for small and micro businesses, standardised the organisational system of branches, and expedited the transformation and upgrading of banking outlets, among others, so as to bring services and competitiveness to a higher level.

We firmly believe that only with the dedication and professional service of our employees, can we truly win the trust and respect of our customers, give back more to our shareholders and partners, and create value for the society in a more continuous way. We comprehensively improved the professional job sequence reform and the remuneration system reform, and established a talent development system that set clear qualification requirements, reasonable hierarchical structure, well-defined performance evaluation standards, and a set of value contribution-oriented remuneration management system, so as to guide the whole bank to achieve "customer first" and "considerate services". We made overall institutional arrangements across the links from selection, appointment and cultivation to retention of young talents, in a bid to create a sound atmosphere that we value them, care for them and help them grow, so as to accumulate strength for the future of Minsheng Bank.

As China's first non-state-owned bank, China Minsheng Bank has been developing with care, trust and support from all sectors of the society. Sticking to the philosophy of sharing development achievements with the society, we pursued close alignment of our development with social advances. To that end, we continued innovative efforts to perform corporate social responsibility in areas such as paired assistance, treatment of congenital heart diseases, AIDS prevention and treatment, donation to education, environmental protection, emergency relief and cultural welfare, as a way of delivering warmth and strength through actions. We also constantly improved environmental, social and governance (ESG) management, released green finance series products, and developed the Minsheng public welfare platform, making more contributions to balanced social development and the building of a beautiful homeland.

Forge ahead and build up momentum. In 2022, facing the triple pressures of economic development and seising the long-term positive strategic opportunities, we will remain committed to serving the real economy, comprehensively improve our operation and management capabilities, strengthen our characteristics and advantages in advancing our strategic layout, and strive to reach a new level of high-quality development.

MESSAGE FROM CHAIRMAN

Maintain strategic focus, ensure solid implementation and stimulate institutional advantages. Over the past year, we launched a series of major reforms in business model, compliance risk, human resources, financial management and other aspects with an aim to give full play to the advantages of market-oriented systems and mechanisms and improve the market competitiveness of the Bank. We will unswervingly push forward reforms and reflect reform outcomes in customer satisfaction, market recognition and public reputation.

Focus on key tasks, consolidate foundation, and enhance business operation for further development. We will further improve the strategic customer marketing system, create a differentiated customer group management model through customer segmentation and classification and unified marketing, promote integrated development of large, medium, small and micro-sized and retail customers, expand medium, small and micro-sized and retail customers along the upstream and downstream industry chains of core enterprises, and solidify basic products and services to enlarge the basic customer group.

Strengthen areas of weakness to inject continuous impetus into business development. We will insist on empowerment with research, and provide professional support for business marketing through in-depth research on the industry, market, customers and industry peers. We will stick to empowerment with platforms, and create intelligent and digitalised ecosystem service platforms. We will also strengthen empowerment with products, operation, technology and management, improve the refined management level, and enhance the execution and synergy across the whole Bank.

Deliver considerate customer first services and actively fulfill bank culture. We will comprehensively enhance bank culture and promote the implementation of the cultural concepts, reshape credit and compliance culture and improve homeland culture, and strengthen social responsibility and ESG information disclosure and governance to continuously increase the "warm power" of the Bank.

Hold the bottom line, defuse risks and steadily improve asset quality. We will make all-out effort to strengthen risk management and control in the real estate sector, accelerate the collection and disposal of non-performing and problem assets, improve the comprehensive risk management system, ensure lawful and compliant operations and enforce accountability and restraint measures for steady and positive development of asset quality.

We firmly believe that only by staying focused and holding on to steady and sustainable development, can we reach our goals. We will work together with our customers, shareholders, employees and all circles of the society to live up to yesterday's endeavour, shoulder today's responsibility and create tomorrow's glory!



GAO Yingxin
Chairman of the Board of Directors
China Minsheng Banking Corp., Ltd.
29 March 2022



President

Mr. ZHENG Wanchun

MESSAGE FROM PRESIDENT

2021 was the first year for Minsheng Bank to implement the new five-year development plan, and also the first year when Minsheng Bank became one of the national systematically important banks. We were deeply aware of the responsibilities. Only by bravely shouldering the mission and making unremitting efforts, can we live up to the trust of customers and the care of investors and people from all sectors of the society.

In the past year, facing the challenges such as multi-point and repeated occurrence of the COVID-19 pandemic, the economic slowdown and rising risk pressure, we earnestly implemented the national policies and the requirements of the Board, fully integrated into the national strategies, and coordinated pandemic prevention and control, reform execution, risk defusing and business development. We gradually consolidated customer base, constantly optimised business structure, took effective risk prevention and control measures, initially demonstrated the potential of reform, and witnessed stabilising and rising business performance. Net profit returned to positive growth, and net profit attributable to holders of equity shares of the Group amounted to RMB34,381 million, representing an increase of 0.21% as compared with the corresponding period of the previous year. Asset size grew steadily, and total assets of the Group amounted to RMB6.95 trillion, representing an increase of 0.04% as compared with the end of the previous year. Asset quality improved steadily, and the NPL ratio was 1.79%, representing a decrease of 0.03 percentage points as compared with the end of the previous year. Allowance to NPLs increased 5.92 percentage points as compared with the end of the previous year. Risk defense capability was elevated constantly, and as at the end of the year, core tier-one capital, tier-one capital and capital adequacy ratio under the Group standards increased 0.53, 0.92 and 0.60 percentage points as compared with the end of the previous year, respectively. The indicators such as leverage ratio, liquidity ratio, net stable funding ratio, proportion of interbank liabilities, interest rate risk and deviation of NPLs overdue for over 60 days all satisfied regulatory requirements.

In the past year, we fully integrated into the national strategies, served and supported the real economy. We actively consolidated and expanded the effective connection between poverty alleviation achievements and the rural revitalisation, comprehensively deployed rural revitalisation work throughout the Bank, launched the "Agriculture and Animal Husbandry Loan (農牧貸)", "Agricultural Loan Express (農貸通)", "Cotton Grower Loan (棉農貸)" and other distinctive products, and the year-end balance of agriculture-related loans amounted to RMB316,416 million, representing an increase of 3.44%. We increased support to the manufacturing industry, and the year-end balance of loans to the manufacturing industry amounted to RMB346,685 million, representing an increase of 15.41%. We strove to improve the service quality of inclusive finance, and the year-end inclusive loans to small and micro enterprises amounted to RMB504,815 million, representing an increase of 12.59%. We developed green finance by formulating mid- to long-term development plan, enriching product systems, and participating in the tools supporting carbon emission reduction, and the year-end balance of green credit amounted to RMB107,317 million, representing an increase of 103.76% as compared with the end of the previous year.

MESSAGE FROM PRESIDENT

In the past year, we strove to cultivate basic customer groups, and consolidated the foundation of sustainable development. We enhanced high-level marketing, advanced the "Joint Hands Plan (攜手計劃)", "SME Credit Plan (中小信貸計劃)", and "Sparks Plan (螢火計劃)" for corporate customers, and implemented the "Dandelion Plan (蒲公英計劃)" for strategic customers. We launched the "Park Visits (園區萬里行)", and have connected with and developed 196 industrial parks. We connected with the Beijing Stock Exchange to develop "dedicated, refined, distinctive and innovative" customer groups, and launched the "Minsheng Easy Innovation (民生易創)" exclusive investment banking product. We optimised the segmented management system of retail customer groups, and enhanced the management of standardised customer groups. The average financial assets of newly-acquired class I customers grew by 32% as compared with the previous year. We upgraded the rewarding system for retail customers, and innovated the modes of serving high-end customers. The number of VIP customers and private banking customers grew by 10.4% and 14.23%, respectively, driving the growth of balance of retail financial assets by 12.9%. We enhanced wealth management business, and the balance of agency sales of public funds grew by 40.6%. We have become one of the first batch of banks handling "Cross-Border Wealth Management Connect (跨境理財通)", and the amount of cross-border fund transfers handled took a market share of 23.49%. The number of new effective corporate customers of the year grew by 21.0 thousand, and the number of effective and above retail customers grew by 410.0 thousand, representing increases of 2.8 times and 3.1 times as compared with the previous year, respectively.

In the past year, we accelerated digital transformation, and earnestly improved service quality and efficiency. We vigorously enhanced the development of software and hardware systems, elevated the proportion of IT input in the operating income of the Bank to nearly 3%, and built the fully distributed enterprise-level architecture with "middle-tier business PaaS, middle-tier data PaaS, middle-tier AI PaaS" as the core. We completed the non-inductive customer data migration at 100-million-level for the distributed core system. The software test management passed the certification of the highest international certification system. We enhanced technology empowerment, and comprehensively supported the digital transformation of businesses at the B-end, C-end, F-end and the G-end. We implemented the SWIFT series projects, and became the first bank achieving the real-time fund arrival in cross-border remittance in the Asia-Pacific region. Our open bank launched service plans for seven major industries, including "Cloud Agency Book Keeping (雲代賬)" and "Cloud Enterprise Payment (雲企付)", and the number of monthly active users of corporate and online retail platforms of the Bank grew by 30.17% and 21.84% as compared with the previous year, respectively. We expanded remote banking with new intelligent service functions. The daily average number of customers served by remote banking and customer service hotline amounted to 42.0 thousand. We sped up the development of smart bank experience stores, and the first smart bank experience store in Zhongguancun recorded 52% of increase in the daily average number of visitors as compared with the previous year, and its business volume grew by 79%.

MESSAGE FROM PRESIDENT

In the past year, we strengthened risk management, and safeguarded the steady improvement of asset quality. We reformed the credit approval systems of corporate customers, and earnestly gave play to the professional capabilities of main accountable person for operation and full-time credit officers. We formulated and implemented the Outline for Transformation and Development of Internal Control《內控合規轉型發展綱要》. We advanced comprehensive risk management, optimised the organisational framework for risk governance, and improved risk policy and rule systems. We established the intelligent risk control system, and the project of "IoT technology-based SME financing services (基於物聯網技術的中小企業融資服務)" was selected into the regulatory sandbox of the People's Bank of China (PBOC). We advanced the implementation of major projects of Basel Accord III, and formulated implementation schemes for collection and disposal plans. We enhanced credit management, optimised credit policies, strengthened the rigid control of asset quality objectives, sped up the structural adjustment of existing customers, and reinforced the monitoring and early-warning of asset quality. We advanced the three-year plan for collection and disposal, and sped up the collection and disposal of non-performing assets. The asset quality of the whole Bank maintained stable with good momentum for growth, and the risk resistance capability was elevated continuously.

In 2021, our overall reform framework was basically established. In 2022, our primary task will be the implementation of reform. We need to improve our service capability, competitiveness and development capability by relying on reform, and achieve steady and sustainable development via reform.

To that end, we will maintain strategic focus, centre on the strategic positioning of becoming "a bank for the NSOEs, an agile and open bank, and a bank with considerate services", deeply promote the implementation of all reform measures throughout the Bank, and proceed operation from the perspectives of "stabilising growth, expanding customer groups, consolidating foundation, adjusting structure, optimising evaluation, controlling risk, enhancing technology, and promoting reform".

We will continue to increase services to the real economy, resolutely return to the origins of banking business, continue to optimise business structure, increase credit granting to the major fields such as rural revitalisation, the manufacturing industry, small and micro enterprises, dedicated, refined, distinctive and innovative enterprises, and green finance, etc., serve the national strategies and the people's livelihood, support the high-quality development of the real economy, and fulfill the corporate mission of "serving the public, caring about people's livelihood".

MESSAGE FROM PRESIDENT

We will continue to enhance the prevention of financial risks, firmly establish the concept that compliant operation is the core competitiveness, and speed up the completion and comprehensive implementation of the new risk-oriented internal control system featuring clear and efficient governance framework, comprehensive and complete policy and rule systems, effective execution of internal control and compliance management, steadily advanced collection and disposal, stably enhanced capabilities of personnel and teams, and continuously improved intelligent control and machine control. We will continue to enhance the collection and disposal of non-performing assets, and safeguard the bottom line of asset quality.

We will continue to speed up digital transformation, take systematic and all-round digital transformation as the new starting point of making future arrangements, focus on the launch and promotion of major projects of eco-bank, development of smart bank and other works, improve the capability and level of digital operation of the whole Bank, and empower the development of the Bank with technology.

Actions speak louder than words, and solid work is above all. In the new year, we will adopt the belief that reform will certainly win and take actions to overcome difficulties, race against time, live up to our mission, in an aim to write a new chapter of reform and transformation of Minsheng Bank, and embrace the successful convention of the 20th National Congress of the CPC with excellent performance.



ZHENG Wanchun
President
China Minsheng Banking Corp., Ltd.
29 March 2022

DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

I. Development Strategies of the Bank

(I) Development goals

A first-class commercial bank with distinctive features, continuous innovation, increasing value and steady operation

(II) Strategic goals

2021-2025 is the strategic period for the Bank, which is divided into two development stages. The first stage (2021-2022) is the period to consolidate foundation, during which, the Bank will transform the growth pattern by laying sound foundation and consolidating the origins of businesses. The second stage (2023-2025) is the period of continuous growth, during which, the Bank will enhance its market competitiveness and achieve high-quality and sustainable development by strengthening capabilities and improving quality and efficiency.

(III) Strategic positionings

A bank for the NSOEs. The Bank sticks to the customer positioning and strategic choice it has followed over the past 26 years, and keeps its distinctive features unchanged. The Bank continues to leverage the advantages of system and mechanism as a non-state-owned bank, wholeheartedly support the development of the real economy, and strives to become a bank with the best services for the NSOEs and build a golden brand of China Minsheng Bank in the field of financial services to medium, small and micro customers, so as to truly implement the mission of "serving the public, caring about people's livelihood".

An agile and open bank. Following the development trend of digital economy, the Bank promotes continuous innovation and seeks for breakthroughs in technology-driven eco-bank to optimise comprehensive services such as scenario integration and ecosystem co-construction. The Bank creates value for customers and grows together with them by empowering the whole production process and life journey of large, medium and small customers as well as individual customers. The Bank strives to push the data-driven smart banking to a new level and elevate the digital intelligence level of operation and management in all aspects, in a bid to provide agile and efficient comprehensive services with the ultimate customer experience.

A bank with considerate services. The Bank stays customer-centric and puts special emphasis on its original service, business origins and steady compliance. Based on the deep understanding of customer needs, the Bank strives to build up trust through professional services, enhance experience through optimised procedures, strengthen customer stickiness through value creation, and maintain security through risk management and control, so as to unite with customers and partners, become customers of each other, grow together and achieve common prosperity.

DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

(IV) Development strategies

1. Corporate finance

The Bank focuses on the services to strategic customers, institutional customer groups and basic customer groups, integrates green finance, rural revitalisation and other featured products, promotes scenario-based and diversified comprehensive services, and incorporates such services into the production and transaction links of customers. The Bank provides customers with corporate financial services that better align with their strategic direction, business demand and operation management, in an aim to become a reliable strategic partner bank of its corporate customers.

Focusing on intensive services to customer groups. The Bank strives to continuously improve the segmented service system with efficient coordination among the Head Office, branches and sub-branches and integration of large, medium, small and micro enterprises. The Bank enhances the depth of services to strategic customers, strengthens "head office-to-head office" marketing, becomes the ecosystem partner of customers by strategically supporting each other, and grows together with customers through the integration of industry and finance. The Bank also enhances the depth of services to basic customer groups in the upstream and downstream of the industry chains, fully explores the value of industry chain and supply chain data, and integrates industrial parks, business circles, community ecosystems and other featured scenarios, so as to provide basic customer groups with more extensive and efficient financial services and enhance the scenario-based service experience of customers. Moreover, the Bank enhances the depth of services to institutional customer groups from finance and social security, culture, tourism and tobacco, education and medical care and agricultural service platforms, accelerates the construction of institutional business platforms, and improves batch and supply chain-based development services of institutional customers through system connection and scenario deployment.

Integrating featured products and services. The Bank strives to continuously innovate the featured product and service models and support the high-quality development of customers in key areas. Based on the customer needs for green and low-carbon development, the Bank builds the "Carbon Peak and Carbon Neutral (峰和)" green financial product system across-the-board, constantly enriches the four major competitive product models, including "investment, financing, supply chain, and operation", and launches "Photovoltaic Loan (光伏貸)", "Emission Reduction Loan (減排貸)" and other innovative business models. The Bank also creates the segmented comprehensive product service plans for "rural revitalisation", sets up the diversified financing product systems including "Agricultural Loan Express (農貸通)" and "Agricultural Debt Express (農債通)", deepens online and offline multi-dimensional services, and provides the financial service solutions involving the whole industry chain for agricultural leading enterprises and individual farmers in the upstream and downstream of the industry chain through the featured products of "Agricultural Chain Express (農鏈通)". Additionally, the Bank strives to strengthen the study on rural revitalisation scenarios, speed up the innovation of scenario-specific product packages, such as "Farmer Prosperity Loan (富民貸)" and "Beautiful Village Loan (美麗鄉村貸)", and facilitates the "digital support for agriculture (數字興農)".

DEVELOPMENT STRATEGIES AND CORE COMPETITIVENESS OF THE BANK

Promoting "one-stop" comprehensive services. The Bank strives to build diversified product platforms and "one-stop" comprehensive financial solutions so as to respond to multiple needs of customers in a rapid and flexible manner. The Bank enriches basic products and services, and continuously optimises the product systems of account, payment and settlement, cash management, wealth management and other categories to satisfy the basic service needs of customers. It also conducts in-depth study of the operation management activities of customers in improving production and operation, optimising financial structure, implementing capital operation, etc., in an effort to provide integrated and professional financial services with the combination of "capital + intelligence + commerce" for customers. Furthermore, it strives to strengthen the coordinated operation of the Group's subsidiaries, intensify the coordinated services of leasing, investment and loan for industrial clusters, "dedicated, refined, distinctive and innovative" enterprises and other customers in the emerging industries, and enhance wealth management and cross-border investment banking services including fund and asset management, so as to meet the customer needs for diversified and scenario-based comprehensive services.

2. Retail finance

The Bank strives to deploy ecosystem around the life journey of individual customers, including clothing, food, housing, transportation, elderly care, education, entertainment and medical care, integrate financial and non-financial products and services into such ecosystem, and focus on enhancing customer experience. It aims to become customers' considerate financial partner anytime and anywhere, and build itself into a leading retail bank in the banking industry.

Enhancing empowerment through the construction of ecosystem of customer groups. The Bank strives to focus on segmented customer groups, strengthen distinctive services, and build an open, beneficial, shared and inclusive ecosystem of retail customers around the core customer groups such as property owners, car owners, elderly care customers and business travelers to empower the development of customers and create value for them. By focusing on coordinated corporate-personal banking businesses, supply chain of core enterprises, institutional business, government platform projects, etc., it aims to carry out network-based and supply chain-based development of retail customers, and provide efficient and convenient financial services. Moreover, the Bank strives to optimise traditional customer acquisition models at business outlets, communities and customer referral to improve effectiveness of customer acquisition and raise market reputation.

Enhancing customer experience of product and service systems. Oriented by the enhancement of customer experience, the Bank strives to continuously improve basic products and services, such as account management, payment and settlement, financing, and others. It also aims to build a steady pyramid of fund products, a wealth management products shelf and an insurance product system, offer "one-stop" wealth management solutions, and design customised and distinctive financial products and non-financial services so as to accompany customers throughout the life cycle of "Wealth Management-Prosperity-Inheritance (理財-興業-傳承)". By connecting the benefits for VIP customers, rewards points, credit cards, etc., the Bank aims to establish a unified and convenient rewarding system for retail customers, so as to firmly guarantee the right to stay informed and privacy of customers, and build the brand of "a bank with considerate services".

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Enhancing quality and efficiency through management capability improvement. The Bank strives to establish a customer experience management system, and strengthen dynamic monitoring and feedback, in a bid to improve service quality and efficiency, and become the financial partner of customers. The Bank strives to leverage technologies to empower the digital transformation of retail business, so as to enhance the capabilities of digital marketing and customer acquisition as well as digital operation, and provide customers with efficient services. It also strives to accelerate the application of big data, AI and other new technologies, and build an end-to-end digital risk control system.

3. Medium, small and micro finance

The Bank adheres to its NSOE strategy, and strives to improve scenario-based services for medium, small and micro basic customer groups based on the whole journey of "customer contacts, customer services, customer empowerment and mutual value growth". Focusing on inclusive finance, rural revitalisation and other national key areas, the Bank aims to reinforce the innovation of online products, and improve financial services for inclusive customer groups. It also strives to innovate featured product system of "commercial banking + investment banking" and provide small and medium-sized customers with comprehensive product services to build a distinctive brand in the field of services to SMEs and the best domestic brand in small business finance.

Improving scenario-based services for customers. Through the Minsheng small business App, the Bank strives to focus on education, supermarkets, restaurants, industrial parks, small and micro business circles and other scenario-based platforms where the medium, small and micro customers are highly concentrated, and optimise the scenario-based finance including "Minsheng Cloud – Agency Book Keeping (民生雲-代賬)" to improve the depth of scenario-based financial services and continuously increase customer stickiness.

Optimising distinctive services for key customers. The Bank strengthens technology empowerment, and promotes business innovation in inclusive finance and rural revitalisation to precisely strengthen financial services for customers in the weak links in social development. The Bank continuously develops distinctive and intelligent new development model for inclusive finance, in a bid to enhance the inclusive financial service capacity of "financing for the people (金融為民)". Relying on models including the supply chain services for core enterprises, government big data platform services, rural financial services featuring "Party building + finance", and the service of "Farmer Benefit Express (惠農通)" for individual customers, the Bank strives to improve the quality and efficiency of services for rural revitalisation.

Elaborating comprehensive and online services. The Bank strengthens basic products and services, and improves customer service capability by optimising account opening services, strengthening payment and settlement, and building digital platforms. It strengthens the innovation of online products, constantly introduces in data sources of taxation, customs, supply chain and others, iterates scenario-based risk control models, builds intelligent decision-making and operating system, and develops and publicises competitive credit and loan products for medium, small and micro customers, as a way to effectively alleviate the "financing difficulties" of medium, small and micro enterprises. Through establishing comprehensive service systems covering investment banking, VC/PE, investment consulting and IPO, the Bank strives to create an investment ecosystem for sci-tech innovation enterprises. Through the "Sparks Plan (螢火計劃)", the Bank has cultivated a batch of unicorn enterprises and facilitated the rapid growth of sci-tech innovation enterprises.

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4. Financial institutions business

Focusing on the financial institution customers, the Bank enhances the "head office-to-head office" marketing services, strengthens businesses such as custody, asset management and investment transactions, builds professional product and service platforms, improves the capabilities of investment transactions and asset management, and leverages the synergy effect of its capital and assets, in a bid to establish an asset management brand with market influence.

Deepening of marketing services to customer groups. The Bank unswervingly advances the business model transformation of financial institution customer group, and deepens the establishment of unified marketing system. Meanwhile, it perfects the agile marketing team mechanism, carries out in-depth joint marketing events, coordinates the all-round business activities related to the financial institution customer group, and provides customers with comprehensive services through "one account one policy (一戶一策), star-level customer evaluation, benefit packages", etc.

Specialisation of product and service platforms. The Bank enriches the functions and products of online sales platforms to meet customers' comprehensive demands in remittance and settlement, risk mitigation and hedging, asset preservation and appreciation, and investment and financing in the open market, etc. It also builds the coordinated mechanism across business segments and lines, strengthens the asset management business, and establishes distinctive and competitive product system to improve the ability in allocating major types of assets.

High efficiency of capital-asset coordination. The Bank improves the mechanism of coordination among departments, between Head Office and branches, and between the Company and its subsidiaries, and strengthens the cooperation with external institutions. It strives to build an efficient hub of coordinated and matched "capital-asset" based on the innovated financial markets products, and support the coordinated and comprehensive services for corporate customer group, retail customer group and financial institution customer group.

Marketisation of capability of investment transactions. The Bank strives to strengthen cooperation with professional investment research institutions, enhance its ability of market-oriented investment transactions, and expand the qualifications for transactions of new-type products on the basis of consolidating the traditionally competitive varieties. The Bank also strives to improve the market risk limit system and strengthen post-investment management such as dynamic measurement, evaluation and monitoring.

II. Core Competitiveness

The Bank reaches a high degree of consensus on development to make the path of the five-year plan clearer. The Bank launches new strategies on the basis of inheritance. Consistently adhering to the value of "customer first-integrity, innovation, efficiency, win-win, and stability", the Bank persistently pushes forward the implementation of three strategic positionings of "a bank for the NSOEs, an agile and open bank, and a bank with considerate services", truly implements the corporate mission of "serving the public, caring about people's livelihood", and accelerates the transformation from a stage in pursuit of scale, speed and

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efficiency towards a stage of steady, sustainable and green development. **The Bank maintains strategic focus and holds on to business continuity.** The Bank firmly concentrates on integrating the concept of basic customers, basic products and basic services into all levels and parts of operation and management. The Bank deepens the reform of internal system and mechanism and culture construction, changes the short-sighted and incomplete evaluation and incentive methods, and builds brand-new performance incentive mechanism and performance-based culture, which are long-term, steady, comprehensive and balanced, so as to guide the whole Bank to focus on the management of customer groups and the establishment of product and service systems, and will never shake the strategic foundation of long-term, steady and sustainable development due to short-term operation pressure. **With growing strategic confidence, the Bank demonstrates a fresh new look.** Along with the adjustments and improvements in recent years, the new philosophies, such as "customer-centric", "focusing on basic business, expanding basic customer base, and providing comprehensive financial services", and "compliant operation is the core competitiveness", have taken roots in the Bank, while the new initiatives, such as digital transformation, business model reform, system and mechanism optimisation, have been promoted in a coordinated manner. As a result, the operation and management status of the Bank keeps improving, and the cultural concepts of steady operation, proactive compliance, openness and integration, as well as clean and righteous atmosphere, have become common practice in the Bank.

The Bank adopts forward-looking measures to make the operation, transformation and development more steady. The Bank adheres to the strategic orientation and strengthens steady operation, and the asset and liability structure has been optimised significantly. **Firstly, the Bank actively reduces non-standard investments.** The Bank gets ahead of the market to continuously reduce non-standard investments such as trust and asset management plans, wealth management products and others, and fully standardises the design of structured deposit products. In 2021, the daily average scale of non-standard investments decreased by RMB245,903 million as compared with the corresponding period of the previous year, and the daily average structured deposits decreased by RMB421,840 million as compared with the previous year. **Secondly, the Bank prudently increases credit business of key areas.** The Bank allocates more resources to increase the credit placement to the key areas of the real economy, such as advanced manufacturing, inclusive finance, small business finance and green credit, strenuously promote the increase of core liabilities, and solidify the foundation of business sustainability, so as to effectively make up the gap caused by the sharp decrease of structured deposits. As at the end of 2021, the proportions of deposits and loans in total liabilities and total assets increased by 1.14 and 2.74 percentage points, respectively, as compared with the end of the previous year. The growth rate of loans in the key areas of the real economy, including loans to the manufacturing industry, inclusive small business loans and green loans, was significantly higher than the average of all loans. The loans to key regions accounted for 55.13%, representing an increase of 0.29 percentage points as compared with the end of the previous year. The Bank vigorously promoted the increase of core liabilities, and achieved a continuous decrease in the cost ratio of deposits. **Thirdly, the Bank comprehensively strengthens the three lines of defense against risks.** In particular, the Bank reinforces the capability of risk management of the first line of defense, improves the efficiency of financial services to customers, seriously tightens the accountability for the problems that break the "bottom line", cross the "red line" and touch the "high voltage line", and ensures that "everyone serves as the only line of defense, and each defense line is the last", so as to truly reassure the regulatory authorities, investors

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and customers. The profound adjustments to the structure of asset and liability and the comprehensive reinforcement of risk management have not only effectively reduced credit risk and compliance risk, but also created favourable conditions for fostering new driving force, adjusting the structure of customer groups, and disposing of problem assets. The profit model of "high profit with high risks" is being broken rapidly, while the foundation of sound and sustainable development is further consolidated.

The Bank thoroughly implements the value concept of "customer first" to make its capability of comprehensive services more optimised. Committed to the customer-centric philosophy, the Bank pays close attention to and carefully study on customer needs so as to continuously improve customer satisfaction. On the basis of optimising basic products and enhancing basic services, the Bank strengthens the construction of customer base, and effectively expands basic customer groups. **In terms of product innovation**, the Bank launches the product of "E-Corporate Account Opening (企業開戶e)", which enables more online data processing to reduce offline procedures for customers. The Bank optimises the settlement and cash management product system of "express (通), pool (聚) and earnings (盈)" series, solidly offers account opening, payment, settlement and other basic services, and significantly improves the service efficiency. The Bank also innovates the "E series" financial products of supply chain, "Carbon Peak and Carbon Neutral (峰和)" series of green financial products, and the scenario-based service plans for rural revitalisation, such as "Photovoltaic Loan (光伏貸)", "Agricultural Loan Express (農貸通)", and "E-Agriculture Express (E農通)". Moreover, the Bank creates the "Minsheng Easy Innovation (民生易創)" exclusive product package covering the full cycle, entire scenarios and whole ecosystem of "dedicated, refined, distinctive and innovative" customer groups, and builds a flexible and diversified product portfolio system so as to achieve the effective coverage of and the efficient services for customers with different life cycles and different industrial characteristics. **In terms of service model**, the Bank launches the "Sparks Plan (螢火計劃)" to upgrade the business model of investment-loan coordination, and serve the sci-tech innovation enterprises with high growth potential. Focusing on the reform of SOEs, industrial integration, shareholding and capital increase and other core scenarios, the Bank expands customised investment banking services. It also iterates and perfects the "Cloud Platform for Treasury Management of Enterprises (企業財資管理雲平台)", and provides enterprises with integrated management services for their groups' domestic and overseas capital, so as to meet the differentiated demands of customers under different scenarios. **In terms of platform construction**, the Bank speeds up the ecosystem deployment of supply chain, establishes ecosystem correlation with strategic customers to strategically support each other and attract each other's customers, and improves the system of acquiring, renewing and retaining medium, small and micro customers and individual customers including business owners. In addition, the Bank accelerates the construction of scenarios, develops the entire scenarios of personal life, including "clothing, food, housing, transportation, travel, entertainment and shopping", and integrates and optimises the "Minsheng Butler (全民管家)" platform, in a bid to realise the all-round and integrated marketing based on ecological scenarios. **In terms of customer base**, in 2021, both the number of domestic customers with deposits and the number of new domestic customers with deposits recorded great increases as compared with the corresponding period of the previous year. The effective corporate customers and retail customers kept a rapid growth as compared with the previous year, and both the number of new corporate customers with deposits and the number of new basic corporate customers with deposits hit the best level for the same period in history, showing further consolidated customer base.

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The Bank fosters new momentum with new models to make the segmented and classified operation more professional. Based on the central objective of "creating value for customers", the Bank makes changes according to demands and circumstances, and rebuilds the service system for customer group marketing. **In connection to strategic customers**, the Bank focuses on the characteristics of group-oriented, cross-regional and cross-product operation to conduct "head office-to-head office" services, implement "unified marketing, unified credit granting, unified risk control, unified plan, and unified management", and create the "five-in-one" operation mode. As a result, the Bank partners with strategic customers to co-build ecosystem of each other rather than merely providing products to them. **In connection to medium, small and micro enterprises and individual customers,** starting with the strategic customers, the Bank provides a wide range of services for medium, small and micro enterprises and retail basic customer groups in the upstream and downstream of the industry chain, gradually expands and strengthens high-quality basic customer groups while offering all-round services to the ecosystems of core enterprises, as a way to form a sound business development model with consolidated customer base -- increased core liabilities and decreased liability cost. What's more, **the Bank builds the marketing system of efficient coordination among the Head Office, branches and sub-branches as well as the front, middle and back offices.** The Bank conducts the marketing of strategic customers with coordination among the Head Office, branches and sub-branches to form segmented, integrated and professional financial support. The Bank also reinforces the coordinated marketing of front, middle and back offices, and achieves integration across business units, product lines and customer groups, so as to improve the customer experience in the whole process, enhance the quality of comprehensive services and improve market competitiveness.

The Bank accelerates the transformation of digital finance to make the agile response to the market more rapid. With the objective of "creating an agile and efficient digital bank with ultimate customer experience and increasing value", the Bank sees systematic and all-round digital transformation as a new starting point for its future business layout. **The development of technology-empowered eco-bank has seen major breakthroughs.** Based on the four scenarios, namely "supply chain ecosystem of enterprises, personal life journey, institutional platform ecosystem, and capital transaction of financial institutions", the Bank builds the ecosystem innovation service model of "integrated operation of large, medium, small and micro enterprises, individual customer acquisition + renewal + retention, smart government services + convenience services, and financial institution customer group + factor market + custody business", and sets up the agile working mechanism that takes full authorisation and quick decision-making as the basis, and the advance handling of risks and simplified processes as the principles, thus facilitating the deep connections between the Bank and customers as well as the Bank and the society. **Data-driven smart bank has scaled new heights**. Relying on the two engines of "technology + data", the Bank promotes the smart rebuilding of financial services and operation management by establishing the closed loop of segmented customer group marketing with "demand insight -- strategy matching -- evaluation feedback", improving the risk control with "human intelligence + digital intelligence + machine intelligence", upgrading the digital channel of "Cloud Minsheng (雲民生)", optimising business operation of the whole process and strengthening data-driven decision-making. **The Bank has also focused on the weak links and pain points of basic services to effectively enhance customer experience.** With the application of new technologies, the account opening time has been drastically shortened to 2-3 days for corporate customers, and from 25 minutes to less than 15 minutes on average for individual customers. The Bank's net promoter score of retail customers has increased by 5.22 percentage points as compared with 2020, and the relevant satisfaction indicators have been among the best in the industry.

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The Bank leverages its advantages as a non-state-owned bank to make the "warm power" of talents and culture stronger. Facing the changes both in internal and external environment, the Bank regards talents as the source power of organisation development and culture as the core driving force of long-lasting development, while keeping the market-oriented system and mechanism unchanged. Upholding the concept of "satisfaction of customers comes from satisfaction of employees", the Bank reshapes the underlying logic of human resources to comprehensively enhance the bank culture. **Firstly**, the Bank persists in selecting and appointing employees in an accurate and reasonable manner, and highlights the guiding principles of selecting and appointing those who are young, professional, dedicated and adaptable to the requirements of the transformation and development, so as to create a clean and righteous atmosphere, and improve the ability of talent team of management in all respects. **Secondly**, the Bank establishes a dual-channel of "management + professionalism" for talents development, and fundamentally reverses the situation of "stressing on staff administration rather than professional division of labour", to facilitate and ensure professional talents leverage their professional values in the key links of business processes, and administer the Bank in a professional manner. **Thirdly**, the Bank changes the simple and administration-oriented mode of "setting remuneration according to person" to the refined and professional mode of "setting remuneration according to job position", and builds the remuneration system with the value of job position as the core, so as to ensure the competitive advantages of remunerations for talents in key areas, crucial positions and with high potential. **Fourthly**, the Bank cares about frontline, grassroots and young employees, launches the grassroots problem feedback platform of "Voice of Minsheng (民聲心語)", launches special training and incentive plans for young talents, and pushes the frontline personnel to transform their working attitude from "performance-oriented" to "customers-oriented" to stimulate the vitality and potentiality of employees. **Fifthly**, the Bank carries forward and improves its cultural concepts, and takes "serving the public and putting customer first" as the starting point for its brand culture development. In addition, for the purpose of winning the trust and respect of customers, and with the direction of establishing close relationship with stakeholders, the Bank optimises basic products and basic services, innovatively carries out the practices of social responsibility, and improves sincere services and considerate services, striving to make the "time-honoured Minsheng Bank" a respected financial brand.

ANNUAL AWARDS

The Bank was awarded the "Second Prize in Fintech Development (金融科技發展二等獎)" by the PBOC

The Bank was awarded the "China's Regulatory Technology Implementation Award of the Year (中國年度監管技術實施獎)" and "China's Best AI Innovation Laboratory of 2021 (2021年度中國最佳AI創新實驗室)" by The Asian Banker

The Bank was awarded the "Bank Wealth Management Product Golden Bull Award (銀行理財產品金牛獎)" in the "Wealth Management Bank Golden Bull Awards (理財銀行金牛獎)" by China Securities Journal

The Bank was awarded the "Best Open Bank Award (最佳開放銀行獎)" and "Most Distinctive Mobile Finance Service Award (最具特色移動金融服務獎)" by China Financial Certification Authority (CFCA)

The Bank was awarded the "Market Influence Award of 2021 (2021年度市場影響力獎)" and "Market Innovation Award (市場創新獎)" by China Foreign Exchange Trade System

The Bank was awarded the "2021 Top 10 Participating Institutions in the Payment and Clearing System User Committee (支付清算系統用戶委員會2021年度十佳參與機構)" by the PBOC

The Bank was awarded the "Listed Company with Best Investor Relations (最佳投資者關係上市公司)" in the "China Securities Golden Bauhinia Awards (中國證券金紫荊獎)"

The Bank was awarded the "Fintech and Digital Transformation Innovation Achievement Award (金融科技與數字化轉型創新成果獎)" by the China Institute of Communications

The Bank was awarded the "Leader of the Standards for Online Banking Serving Enterprises in 2020 (2020年網上銀行服務企業標準"領跑者")" by the National Internet Finance Association of China

The Bank was awarded the "Award of Top Ten Banks for Inclusive Finance Service Innovation (十佳普惠金融服務創新獎)" in the "2021 Financial Service Innovation Awards (2021金融創新獎)" by The Chinese Banker

The Bank was awarded the "Low-Carbon Bank of the Year 2021 (2021年度低碳銀行)" by 21st Century Business Herald at the Annual Finance Summit of Asia (亞洲金融年會)

The Bank was awarded the "Best Bank for Green Finance Services of the Year (年度最佳綠色金融服務銀行)" by Financial Times

The Bank was awarded the "Bank for Outstanding Supply Chain-Based Finance Innovation of the Year (年度卓越供應鏈金融創新銀行)" by The Economic Observer

The Bank was awarded the "Green Finance Award of the Year (年度綠色金融獎)" in the "2021 Jinding Awards of China (2021中國金鼎獎)" by National Business Daily

The Bank was awarded the "Bank for Financial Technology Innovation of the Year (年度金融科技創新銀行)" by China Times at the China Institutional Investors Annual Meeting (華夏機構投資者年會)

CHAPTER 1 BANK PROFILE

1.	Registered Chinese Name of the Company:	中國民生銀行股份有限公司 (Abbreviation: "中國民生銀行")
	Registered English Name of the Company:	CHINA MINSHENG BANKING CORP., LTD. (Abbreviation: "CMBC")
2.	Legal Representative of the Company:	GAO Yingxin
3.	Authorised Representatives of the Company:	XIE Zhichun, WONG Wai Yee, Ella
4.	Board Secretary:	BAI Dan
	Joint Company Secretaries:	BAI Dan, WONG Wai Yee, Ella
	Representative of Securities Affairs:	WANG Honggang
5.	Mailing Address:	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
	Postal Code:	100031
	Telephone:	86-10-58560975; 86-10-58560824
	Facsimile:	86-10-58560720
	Email:	cmbc@cmbc.com.cn
	Hotline for Service Supervision:	86-95568
	Hotline for Credit Card Service Supervision:	86-400 66 95568
6.	Registered and Office Address:	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
	Postal Code:	100031
	Website:	www.cmbc.com.cn
	Email:	cmbc@cmbc.com.cn
7.	Branch Office and Place of Business in Hong Kong:	3701-02, 3712-16, 37/F and 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

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8.	Newspapers and Websites for Publishing Annual Report of the Company:	China Securities Journal (www.cs.com.cn), Shanghai Securities News (www.cnstock.com) and Securities Times (www.stcn.com)
	Stock Exchange Website for Publishing A Share Annual Report of the Company:	www.sse.com.cn
	Stock Exchange Website for Publishing H Share Annual Report of the Company:	www.hkexnews.hk
	Place for Collection of the Annual Reports:	Office of the Board of the Bank
9.	Legal Adviser as to PRC Law:	Grandall Law Firm, Beijing Office
	Legal Adviser as to Hong Kong Law:	Clifford Chance
10.	Domestic Accounting Firm:	PricewaterhouseCoopers Zhong Tian LLP
	Office Address:	11/F, PricewaterhouseCoopers Centre, Link Square 2, 202 Hubin Road, Huangpu District, Shanghai
	Signing Accountants:	YAN Lin, ZHANG Honglei
	International Accounting Firm:	PricewaterhouseCoopers
	Office Address:	22/F, Prince's Building, 10 Chater Road, Central, Hong Kong
11.	A Share Registrar:	China Securities Depository and Clearing Corporation Limited (Shanghai Branch)
	Office Address:	No. 188 Yanggao Nan Road, Pudong New Area, Shanghai
	H Share Registrar:	Computershare Hong Kong Investor Services Limited
	Office Address:	Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
	Domestic Preference Share Registrar:	China Securities Depository and Clearing Corporation Limited (Shanghai Branch)

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12. Places of Listing, Stock Names and Stock Codes:

A Shares:	SSE; Stock Name: MINSHENG BANK; Stock Code: 600016
H Shares:	SEHK; Stock Name: MINSHENG BANK; Stock Code: 01988
Domestic Preference Share:	SSE; Stock Name: Minsheng Preference 1; Stock Code: 360037

13. Initial Date of Registration: 7 February 1996

Initial Place of Registration: No. 4 Zhengyi Road, Dongcheng District, Beijing, China

14. Date of Registration for Subsequent Change: 20 November 2007

Place of Registration: No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China

15. Unified Social Credit Code: 91110000100018988F

16. Changes in Registered Capital

During the Reporting Period, the Bank completed the registration for the change of registered capital and obtained the Business License reissued from Beijing Municipal Administration for Market Regulation. The registered capital of the Company as set out in the Business License had been changed from RMB28,365,585,227 to RMB43,782,418,502.

CHAPTER 1 BANK PROFILE

17. Business Summary of the Company

Formally established in Beijing in 1996, the Bank is the first national joint-stock commercial bank in China primarily initiated and founded by the NSOEs.

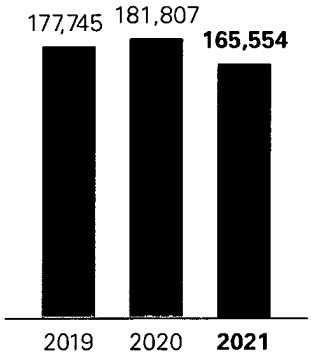
Upon the approval of relevant regulatory authorities, the Bank operates the following commercial banking businesses: taking deposits from the public, granting short-, mid- to long-term loans, handling domestic and foreign settlements; accepting and discounting negotiable instruments, and issuing financial bonds; issuing, settling and underwriting government bonds as an agent; buying and selling government bonds and financial bonds; operating interbank borrowing and lending; buying and selling foreign exchange, and buying and selling foreign exchange as an agent; settling and selling foreign exchange; operating bank card business; providing letter of credit services and guaranty; receiving and paying funds as an agent; providing safe deposit box service; operating other businesses approved by the banking regulatory authority of the State Council; operating insurance business as a sideline agent; selling securities investment funds and providing custody services for securities investment funds. (The market entity independently chooses and operates businesses in accordance with laws; Operations of sideline insurance agency, sales of securities investment funds, custody of securities investment funds, and businesses subject to approvals according to laws shall be carried out upon approvals of relevant authorities and within the approved scopes; It is not allowed to operate businesses prohibited or restricted by national and municipal industry policies.)

For the main changes of the Bank's business philosophy during the Reporting Period, please refer to "Development Strategies and Core Competitiveness of the Bank".

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

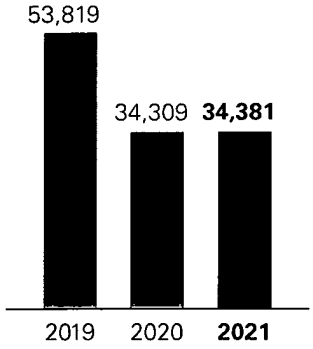
Operating income

Unit: RMB million



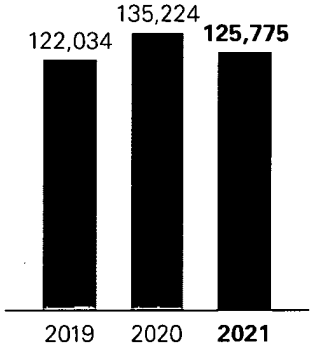
Net profit attributable to holders of equity shares of the Bank

Unit: RMB million



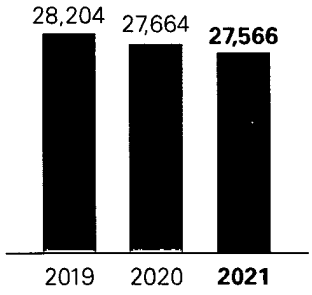
Net interest income

Unit: RMB million



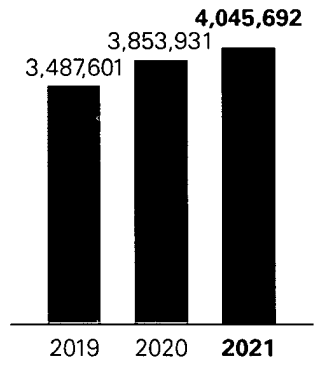
Net fee and commission income

Unit: RMB million



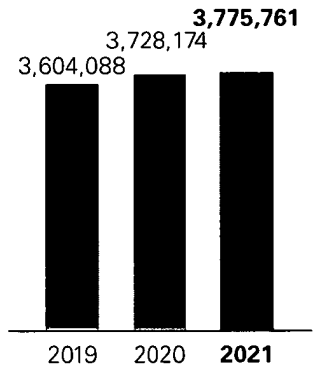
Total loans and advances to customers

Unit: RMB million



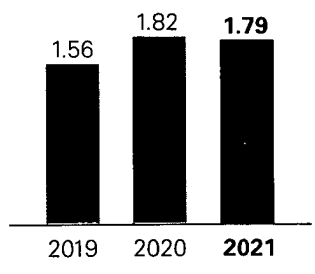
Total deposits from customers

Unit: RMB million



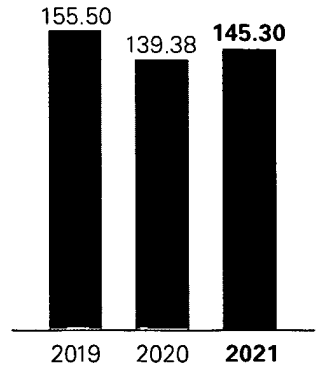
NPL ratio

Unit: %



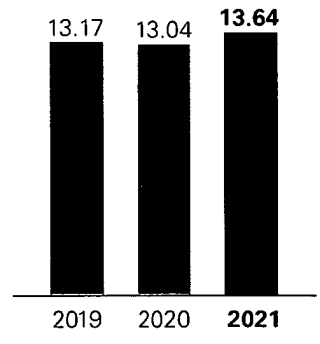
Allowance to NPLs

Unit: %



Capital adequacy ratio

Unit: %



CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

I. Major Accounting Data and Financial Indicators

	2021	2020	Changes of the Reporting Period over the corresponding period of the previous year	2019	2018	2017
Operating results (RMB million)			Increase/ decrease (%)			
Operating income	**165,554**	181,807	-8.94	177,745	154,161	141,947
Net interest income	**125,775**	135,224	-6.99	122,034	96,276	101,221
Net non-interest income	**39,779**	46,583	-14.61	55,711	57,885	40,726
Operating expenses	**51,181**	50,485	1.38	50,016	49,056	47,245
Impairment losses on credit	**77,398**	92,988	-16.77	62,807	46,274	N/A
Profit before income tax	**35,600**	36,706	-3.01	64,738	58,785	60,562
Net profit attributable to holders of equity shares of the Bank	**34,381**	34,309	0.21	53,819	50,327	49,813
Net cash flow from operating activities	**155,417**	-82,402	Negative for the corresponding period of the previous year	-84,927	-395,498	-257,059
Data per share (RMB)						
Basic earnings per share	**0.71**	0.71	-	1.22	1.14	1.13
Diluted earnings per share	**0.71**	0.71	-	1.22	1.14	1.13
Net cash flow per share from operating activities	**3.55**	-1.88	Negative for the corresponding period of the previous year	-1.94	-9.03	-5.87
Profitability indicators (%)			Changes in percentage points			
Return on average assets	**0.50**	0.51	-0.01	0.87	0.85	0.86
Return on weighted average equity	**6.59**	6.81	-0.22	12.40	12.94	14.03
Cost-to-income ratio	**29.74**	26.64	3.10	27.14	30.58	32.24
Net fee and commission income to operating income ratio	**16.65**	15.22	1.43	15.87	18.51	23.30
Net interest spread	**1.81**	2.12	-0.31	2.14	1.81	1.61
Net interest margin	**1.91**	2.14	-0.23	2.14	1.77	1.76

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

	31 December 2021	31 December 2020	Changes from the end of the previous year to the end of the Reporting Period	31 December 2019	31 December 2018	31 December 2017
Scale indicators (RMB million)			Increase/ decrease (%)			
Total assets	**6,952,786**	6,950,233	0.04	6,681,841	5,994,822	5,902,086
Total loans and advances to customers	**4,045,692**	3,853,931	4.98	3,487,601	3,056,746	2,804,307
Of which: Corporate loans and advances	**2,304,361**	2,257,290	2.09	2,080,024	1,828,173	1,700,087
Personal loans and advances	**1,741,331**	1,596,641	9.06	1,407,577	1,228,573	1,104,220
Allowance for impairment losses on loans	**105,108**	97,637	7.65	84,647	72,208	74,519
Total liabilities	**6,366,247**	6,408,985	-0.67	6,151,012	5,563,821	5,512,274
Total deposits from customers	**3,775,761**	3,728,174	1.28	3,604,088	3,167,292	2,966,311
Of which: Corporate deposits	**2,944,013**	2,961,617	-0.59	2,878,931	2,578,613	2,455,247
Personal deposits	**825,423**	758,712	8.79	718,363	575,289	492,008
Other deposits	**6,325**	7,845	-19.38	6,794	13,390	19,056
Share capital	**43,782**	43,782	-	43,782	43,782	36,485
Total equity attributable to holders of equity shares of the Bank	**574,280**	529,537	8.45	518,845	420,074	378,970
Total equity attributable to holders of ordinary shares of the Bank	**484,316**	459,677	5.36	448,985	410,182	369,078
Net assets per share attributable to holders of ordinary shares of the Bank (RMB)	**11.06**	10.50	5.33	10.26	9.37	8.43
Asset quality indicators (%)			Changes in percentage points			
NPL ratio	**1.79**	1.82	-0.03	1.56	1.76	1.71
Allowance to NPLs	**145.30**	139.38	5.92	155.50	134.05	155.61
Allowance to total loans	**2.60**	2.53	0.07	2.43	2.36	2.66
Capital adequacy ratio indicators (RMB million)			Increase/ decrease (%)			
Net capital base	**733,703**	707,472	3.71	673,741	547,281	514,401
Of which: Net core tier-one capital	**486,552**	461,921	5.33	455,088	415,726	374,624
Net other tier-one capital	**90,527**	70,427	28.54	70,871	10,824	10,790
Net tier-two capital	**156,624**	175,124	-10.56	147,782	120,731	128,987
Risk-weighted assets	**5,379,458**	5,425,856	-0.86	5,117,026	4,656,286	4,340,262
			Changes in percentage points			
Core tier-one capital adequacy ratio (%)	**9.04**	8.51	0.53	8.89	8.93	8.63
Tier-one capital adequacy ratio (%)	**10.73**	9.81	0.92	10.28	9.16	8.88
Capital adequacy ratio (%)	**13.64**	13.04	0.60	13.17	11.75	11.85
Total equity to total assets ratio (%)	**8.44**	7.79	0.65	7.94	7.19	6.60

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

Notes:

1. According to the requirements in the Notice on Strictly Implementing Accounting Standards for Enterprises and Effectively Enhancing Enterprises' Work on the 2020 Annual Reports (Cai Kuai [2021] No. 2) 《關於嚴格執行企業會計準則切實加強企業2020年年報工作的通知》(財會[2021]2號)), the Group reclassified credit card installment income from fee and commission income to interest income since 2020. The relevant financial indicators of the comparative periods have been restated.

2. Return on average assets = net profit/average balance of total assets at the beginning and the end of the period.

3. Earnings per share and return on weighted average equity: calculated according to regulations including the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Equity and Earnings per Share (2010 Revision) (《公開發行證券的公司信息披露編報規則第9號-淨資產收益率和每股收益的計算及披露》(2010年修訂)) promulgated by the CSRC, etc. The effect of the distribution of dividends for preference shares and perpetual bond interest was taken into account in calculating the above indicators.

4. Cost-to-income ratio = (operating and other operating expenses – tax and surcharges)/operating income.

5. Net interest spread = average return ratio on interest-earning assets – average cost ratio of interest-bearing liabilities.

6. Net interest margin = net interest income/average balance of interest-earning assets.

7. Total loans and advances to customers, total deposits from customers and the compositions of which did not include accrued interests.

8. Allowance for impairment losses on loans includes allowance for impairment losses on loans measured at amortised cost, and allowance for impairment losses on loans at fair value through other comprehensive income.

9. Other deposits include issuing certificates of deposit, outward remittance and remittance payables.

10. NPL ratio = total NPLs/total loans and advances to customers.

11. Allowance to NPLs and allowance to total loans were calculated according to Notice on Adjusting the Regulatory Requirements on Allowance for Impairment Losses on Loans of Commercial Banks (Yin Jian Fa [2018] No.7) 《關於調整商業銀行貸款損失準備監管要求的通知》(銀監發[2018]7號)) promulgated by the CBIRC. As at the end of the Reporting Period, the regulatory standards for allowance to NPLs and allowance to total loans applicable to the Group and the Bank were 130% and 1.8%, respectively. Allowance to NPLs = allowance for impairment losses on loans/total NPLs; allowance to total loans = allowance for impairment losses on loans/total loans and advances to customers.

CHAPTER 2 SUMMARY OF ACCOUNTING DATA AND FINANCIAL INDICATORS

II. Supplementary Accounting Data and Financial Indicators

Important indicators (%)	Benchmark	31 December 2021	31 December 2020	31 December 2019
Liquidity ratio	≥25	46.11	49.72	54.06
Liquidity coverage ratio	≥100	133.42	128.37	133.66
Net stable funding ratio	≥100	104.11	104.57	104.30
Leverage ratio	≥4	7.60	6.93	6.87
Percentage of loans to the single largest loan customer	≤10	1.57	1.63	2.67
Percentage of loans to the top ten loan customers	≤50	9.76	9.73	12.31

Notes:

1. The above data were calculated based on the relevant regulations of the CBIRC. Except for the liquidity ratio, which was information of the Bank, all other indicators were information of the Group.
2. Percentage of loans to the single largest loan customer = total loans to the single largest loan customer/net capital base.
3. Percentage of loans to the top ten loan customers = total loans to the top ten loan customers/net capital base.

Migration ratio of loans (%)	31 December 2021	31 December 2020	31 December 2019
Pass	4.08	4.94	3.19
Special-mentioned	25.38	30.60	14.12
Substandard	58.95	89.49	46.56
Doubtful	44.17	56.75	38.93

Note: The migration ratio of loans was the information of the Bank and calculated in accordance with relevant regulations of the CBIRC.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

I. Overview of Operations

During the Reporting Period, the Bank actively coped with internal and external changes of operational environment, implemented new development philosophy, and deepened reform on systems and mechanisms. Focusing on the strategic positioning of becoming "a bank for the NSOEs, an agile and open bank and a bank with considerate services", the Bank adhered to the customer-centric philosophy, firmly served the real economy, and accelerated digital transformation. The customer group base was further consolidated, and the business structure was continuously optimised. Strong risk prevention and control measures were taken. All these efforts promoted steady progress of all tasks and ensured overall steady operation.

During the Reporting Period, the Group recorded a net profit attributable to holders of equity shares of the Bank of RMB34,381 million, representing an increase of RMB72 million, or 0.21%, as compared with the corresponding period of the previous year. The Group recorded an operating income of RMB165,554 million, representing a decrease of RMB16,253 million, or 8.94%, as compared with the corresponding period of the previous year. The decrease in operating income was mainly due to that the Bank continuously pushed the business to pursue its original service mission and substantially reduced non-standard investments, the daily average scale of trust and asset management plans, wealth management products and other non-standard investment decreased by RMB245,903 million as compared with the corresponding period of the previous year, which led to a decrease of RMB5,486 million and RMB6,525 million in interest income and non-interest income, respectively, as compared with the corresponding period of the previous year. The Group continuously optimised the customer structure of loans, and increased loan granting to major projects and quality customers. It actively implemented the national policy on fee reductions and enhanced support for SMEs and small and micro enterprises and inclusive finance. The average return ratio of loans and advances to customers of the Group decreased by 0.39 percentage points, and the interest income of loans decreased by RMB3,100 million, as compared with the corresponding period of the previous year.

During the Reporting Period, the return on average assets of the Group and the return on weighted average equity attributable to holders of ordinary shares of the Bank were 0.50% and 6.59%, respectively, representing decreases of 0.01 percentage points and 0.22 percentage points, respectively, as compared with the corresponding period of the previous year. Basic earnings per share was RMB0.71, the same as that of the corresponding period of the previous year. Net assets per share attributable to holders of ordinary shares of the Bank was RMB11.06, representing an increase of RMB0.56, as compared with the end of the previous year.

The asset-liability structure was constantly optimised and became increasingly steady. During the Reporting Period, the Bank strengthened strategic orientation and reform and transformation, gradually consolidated the customer group base, and continuously optimised the business structure, which steadily improved the proportion of deposits and loans. As at the end of the Reporting Period, the Group had total assets of RMB6,952,786 million, representing an increase of RMB2,553 million, or 0.04%, as compared with the end of the previous year. Among them, total loans and advances to customers amounted to RMB4,045,692 million, representing an increase of RMB191,761 million, or 4.98%, as compared with the

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

end of the previous year, accounting for 58.19% in total assets, representing an increase of 2.74 percentage points as compared with the end of the previous year. Total liabilities amounted to RMB6,366,247 million, representing a decrease of RMB42,738 million, or 0.67%, as compared with the end of the previous year. Total deposits from customers reached RMB3,775,761 million, representing an increase of RMB47,587 million, or 1.28%, as compared with the end of the previous year, accounting for 59.31% in total liabilities, representing an increase of 1.14 percentage points as compared with the end of the previous year. Among them, personal deposits accounted for 21.86% in total deposits from customers, representing an increase of 1.51 percentage points as compared with the end of the previous year.

The Bank further adjusted loan structure, and increased loan granting to key fields for serving the national strategies and the people's livelihood and supporting the real economy. As at the end of the Reporting Period, the balance of green credit of the Bank was RMB107,317 million, representing an increase of 103.76% as compared with the end of the previous year. Loans to the manufacturing industry amounted to RMB346,685 million, representing an increase of RMB15.41% as compared with the end of the previous year. Inclusive small business loans amounted to RMB504,815 million, representing an increase of 12.59% as compared with the end of the previous year. The growth rates of these loans all exceeded the average loan growth rate of the Bank. Loans to key areas accounted for 55.13% of all loans of the Bank, representing an increase of 0.29 percentage points as compared with the end of the previous year.

The deposit structure was obviously optimised and the cost ratio of deposits continued to decrease. The Bank vigorously promoted the growth of core liabilities, standardised structured deposit products, and realised continuous decline of the cost ratio of deposits while maintaining steady growth of deposit scale. As at the end of the Reporting Period, the balances of structured deposits of the Bank amounted to RMB44,399 million, representing a decrease of RMB125,746 million as compared with the end of the previous year, and the daily average balance decreased by RMB421,840 million as compared with the previous year. Meanwhile, the daily average core liabilities recorded RMB3,572,360 million, representing an increase of RMB491,889 million, or 15.97%, as compared with the previous year. During the Reporting Period, the cost ratio of deposits of the Bank was 2.18%, representing a decrease of 0.08 percentage points as compared with the corresponding period of the previous year.

The asset quality improved steadily and the risk offsetting capability improved continuously. During the Reporting Period, the Group strengthened the full-process, whole-link and all-round active management of credit risk, continuously improved credit risk management level and efficiency, and enhanced the collection and disposal of non-performing assets. As at the end of the Reporting Period, total NPLs of the Group recorded RMB72,338 million, representing an increase of RMB2,289 million as compared with the end of the previous year. The NPL ratio was 1.79%, representing a decrease of 0.03 percentage points as compared with the end of the previous year. The ratios of loans overdue for over 90 days and 60 days to NPLs were all less than 100%. The allowances to NPLs and to total loans were 145.30% and 2.60%, respectively, representing increases of 5.92 percentage points and 0.07 percentage points, respectively, as compared with the end of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

II. Conditions of the Industry

In 2021, under the shock of the once-in-a-century pandemic, the evolution of the profound changes unseen in a century, the external environment became more complex and uncertain. China's economic development was confronted with pressure from three aspects, namely, shrinking demands, supply shock and weakening expectation. Economic growth slowed down quarter by quarter, and challenges to the operation of the banking industry increased. To cope with the profound changes and the pandemic and to build a new development pattern, financial institutions were guided by the policies to fully, accurately, and comprehensively implement new development philosophy, deepen supply-side structural reform, continuously strengthen support to the real economy, further reduce financing costs of the real economy, and effectively improve the allocation efficiency of financial resources. Financial regulations became more stringent to enhance the disposal of non-performing assets of the banking industry, reduce non-standard businesses, rectify existing wealth management business, and make up for the shortcomings by policy-building, while putting forward higher requirements from multiple aspects including corporate governance, asset optimisation, liability improvement, capital restriction, regulatory rating and risk management, in order to guide the banking industry to realise the coordination among development speed, quality and efficiency.

During the Reporting Period, confronted with various difficulties and challenges, the banking industry closely followed the policies and guidelines of the Party and the state, further promoted the business to pursue its original mission, utilised the tools of cross-cycle adjustment policies and structural monetary policies to strengthen credit support for key fields and weak links including small and micro enterprises, green development, the manufacturing industry, and rural revitalisation, etc., credit granting remained steady, and the growth rate of loans continuously remained higher than that of total assets, marking adjusted and optimised credit structure and continuously improved quality and efficiency of financial services in serving the real economy. The banking industry strengthened the management of quality of liabilities, and optimised the deposit and loan interest rate pricing behaviours, which substantially reduced the financing costs of enterprises. The interest rates of loans to enterprises hit a new low during the year since the reform and opening up, and the net interest margin decreased on the whole, which stimulated the operating vitality of enterprises. Guided by capital management, the banking industry actively adapted to the trend of capital regulation, implemented the additional regulatory rules for systemically important banks, and pushed forward the quality and efficiency-oriented business development. The banking industry fulfilled its primary responsibilities, enhanced asset quality management and control, and persistently prevented and defused financial risks. The quality of credit assets of commercial banks was basically stable, and the risk offsetting capability was improved. Promoting the empowerment of digital transformation in a faster way, the banking industry innovated products and service modes, constantly enlarged the radius of financial services, and improved the quality and efficiency of financial services, to promote high-quality development of the industry.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

III. Analysis of Major Items of Statement of Profit or Loss

(I) Changes of major items of statement of profit or loss

During the Reporting Period, the Group recorded net profit attributable to holders of equity shares of the Bank of RMB34,381 million, representing an increase of RMB72 million, or 0.21%, as compared with the corresponding period of the previous year.

Item (RMB million)	2021	2020	Change (%)
Operating income	**165,554**	181,807	-8.94
Of which: Net interest income	**125,775**	135,224	-6.99
Net non-interest income	**39,779**	46,583	-14.61
Operating expenses	**51,181**	50,485	1.38
Impairment losses on credit	**77,398**	92,988	-16.77
Impairment losses on other assets	**1,375**	1,628	-15.54
Profit before income tax	**35,600**	36,706	-3.01
Less: Income tax expenses	**747**	1,604	-53.43
Net profit	**34,853**	35,102	-0.71
Of which: Net profit attributable to holders of equity shares of the Bank	**34,381**	34,309	0.21
Profit or loss attributable to non-controlling interests	**472**	793	-40.48

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Operating income

During the Reporting Period, operating income of the Group amounted to RMB165,554 million, representing a decrease of RMB16,253 million, or 8.94%, as compared with the corresponding period of the previous year.

The amounts, percentages and changes of major items of the Group's operating income are as follows:

	2021		2020		
Item (RMB million)	**Amount**	**% of total**	Amount	% of total	Change (%)
Net interest income	**125,775**	**75.97**	135,224	74.38	-6.99
Interest income	**277,679**	**167.72**	286,593	157.64	-3.11
Of which: Interest income from loans and advances to customers	**197,251**	**119.14**	200,351	110.21	-1.55
Interest income from financial investments	**58,529**	**35.35**	64,402	35.42	-9.12
Interest income from long-term receivables	**7,902**	**4.77**	6,840	3.76	15.53
Interest income from placements with banks and other financial institutions	**6,868**	**4.15**	8,402	4.62	-18.26
Interest income from balances with central bank	**5,150**	**3.11**	5,306	2.92	-2.94
Interest income from financial assets held under resale agreements	**1,616**	**0.98**	788	0.43	105.08
Interest income from balances with banks and other financial institutions	**363**	**0.22**	504	0.28	-27.98
Interest expenses	**-151,904**	**-91.75**	-151,369	-83.26	0.35
Net non-interest income	**39,779**	**24.03**	46,583	25.62	-14.61
Net fee and commission income	**27,566**	**16.65**	27,664	15.22	-0.35
Other net non-interest income	**12,213**	**7.38**	18,919	10.40	-35.45
Total	**165,554**	**100.00**	181,807	100.00	-8.94

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(III) Net interest income and net interest margin

During the Reporting Period, net interest income of the Group amounted to RMB125,775 million, representing a decrease of RMB9,449 million, or 6.99%, as compared with the corresponding period of the previous year. The net interest margin of the Group was 1.91%, representing a decrease of 0.23 percentage points as compared with the corresponding period of the previous year.

	2021			2020		
Item (RMB million)	**Average balance**	**Interest income**	**Average return (%)**	Average balance	Interest income	Average return (%)
Interest-earning assets						
Total loans and advances to customers	**3,980,156**	**197,251**	**4.96**	3,741,875	200,351	5.35
Of which: Corporate loans and advances	**2,307,647**	**101,387**	**4.39**	2,241,188	108,412	4.84
Personal loans and advances	**1,672,509**	**95,864**	**5.73**	1,500,687	91,939	6.13
Financial investments	**1,728,164**	**58,529**	**3.39**	1,758,145	64,402	3.66
Balances with central bank	**348,864**	**5,150**	**1.48**	339,846	5,306	1.56
Placements with banks and other financial institutions	**255,355**	**6,868**	**2.69**	263,722	8,402	3.19
Long-term receivables	**132,490**	**7,902**	**5.96**	127,703	6,840	5.36
Financial assets held under resale agreements	**76,861**	**1,616**	**2.10**	36,938	788	2.13
Balances with banks and other financial institutions	**73,991**	**363**	**0.49**	59,838	504	0.84
Total	**6,595,881**	**277,679**	**4.21**	6,328,067	286,593	4.53

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

Item (RMB million)	2021 Average balance	2021 Interest expenses	2021 Average cost (%)	2020 Average balance	2020 Interest expenses	2020 Average cost (%)
Interest-bearing liabilities						
Deposits from customers	**3,833,771**	**83,457**	**2.18**	3,749,789	84,767	2.26
Of which: Corporate deposits	**3,060,358**	**65,650**	**2.15**	2,991,830	66,984	2.24
Demand	**1,302,112**	**17,781**	**1.37**	1,199,629	13,653	1.14
Time	**1,758,246**	**47,869**	**2.72**	1,792,201	53,331	2.98
Personal deposits	**773,413**	**17,807**	**2.30**	757,959	17,783	2.35
Demand	**234,099**	**833**	**0.36**	222,211	805	0.36
Time	**539,314**	**16,974**	**3.15**	535,748	16,978	3.17
Balances from banks and other financial institutions	**1,184,169**	**29,774**	**2.51**	1,088,259	25,321	2.33
Debt securities issued	**749,680**	**23,352**	**3.11**	806,261	24,330	3.02
Borrowings from central bank and other financial institutions and others	**413,951**	**12,853**	**3.10**	387,079	12,589	3.25
Placements from banks and other financial institutions	**87,510**	**1,107**	**1.26**	135,776	2,147	1.58
Financial assets sold under repurchase agreements	**70,052**	**1,361**	**1.94**	114,739	2,215	1.93
Total	**6,339,133**	**151,904**	**2.40**	6,281,903	151,369	2.41
Net interest income		**125,775**			135,224	
Net interest spread			**1.81**			2.12
Net interest margin			**1.91**			2.14

Note: In this table, outward remittance and remittance payables are included in corporate demand deposits; issuance of certificates of deposit is included in corporate time deposits.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

The impacts of changes in scale and changes in interest rate on interest income and interest expenses of the Group were as follow:

Item (RMB million)	Changes in scale from the corresponding period of the previous year to 2021	Changes in interest rate from the corresponding period of the previous year to 2021	Net Increase/ decrease
Changes in interest income:			
Total loans and advances to customers	12,758	-15,858	-3,100
Financial investments	-1,098	-4,775	-5,873
Balances with central bank	141	-297	-156
Placements with banks and other financial institutions	-267	-1,267	-1,534
Long-term receivables	256	806	1,062
Balances with banks and other financial institutions	119	-260	-141
Financial assets held under resale agreements	852	-24	828
Subtotal	12,761	-21,675	-8,914
Changes in interest expenses:			
Deposits from customers	1,898	-3,208	-1,310
Balances from banks and other financial institutions	2,232	2,221	4,453
Debt securities issued	-1,707	729	-978
Borrowings from central bank and other financial institutions and others	874	-610	264
Placements from banks and other financial institutions	-763	-277	-1,040
Financial assets sold under repurchase agreements	-863	9	-854
Subtotal	1,671	-1,136	535
Changes in net interest income	11,090	-20,539	-9,449

Note: Change in scale is measured by the change of average balance; change in interest rate is measured by the change of average interest rate.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

1. Interest income

During the Reporting Period, interest income of the Group amounted to RMB277,679 million, representing a decrease of RMB8,914 million, or 3.11%, as compared with the corresponding period of the previous year, mainly due to the decreases of interest income from financial investments, and loans and advances to customers of the Group, and other businesses.

(1) Interest income from loans and advances to customers

During the Reporting Period, interest income from loans and advances to customers of the Group amounted to RMB197,251 million, representing a decrease of RMB3,100 million, or 1.55%, as compared with the corresponding period of the previous year, mainly due to that the average return ratio of loans and advances to customers decreased by 0.39 percentage points as compared with the corresponding period of the previous year, which led to a decrease of RMB15,858 million in interest income as compared with the corresponding period of the previous year. Such decrease offset the contribution of daily average scale increase.

(2) Interest income from financial investments

During the Reporting Period, interest income from financial investments of the Group amounted to RMB58,529 million, representing a decrease of RMB5,873 million, or 9.12%, as compared with the corresponding period of the previous year. The decrease was mainly due to the decline in daily average scale and average return ratio of financial investments, respectively, which led to decreases of RMB1,098 million and RMB4,775 million, respectively, in interest income, as compared with the corresponding period of the previous year.

(3) Interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements

During the Reporting Period, interest income from balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB8,847 million, representing a decrease of RMB847 million, or 8.74%, as compared with the corresponding period of the previous year, mainly due to the decrease in average return ratio of assets of financial institutions business which led to a decrease of RMB1,551 million in interest income,as compared with the end of the previous year.

(4) Interest income from long-term receivables

During the Reporting Period, interest income from long-term receivables of the Group amounted to RMB7,902 million, representing an increase of RMB1,062 million, or 15.53%, as compared with the corresponding period of the previous year, mainly due to the increase of the average return ratio of long-term receivables, which led to an increase of RMB806 million in interest income as compared with the corresponding period of the previous year.

(5) Interest income from balances with central bank

During the Reporting Period, interest income from balances with central bank of the Group amounted to RMB5,150 million, representing a decrease of RMB156 million, or 2.94%, as compared with the corresponding period of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

2. Interest expenses

During the Reporting Period, interest expenses of the Group amounted to RMB151,904 million, representing an increase of RMB535 million, or 0.35%, as compared with the corresponding period of the previous year, mainly due to the increase in interest expenses on balances from banks and other financial institutions.

(1) Interest expenses on deposits from customers

During the Reporting Period, interest expenses on deposits from customers of the Group amounted to RMB83,457 million, representing a decrease of RMB1,310 million, or 1.55%, as compared with the corresponding period of the previous year. The Group continued to enhance deposit cost management, actively reduced high-cost structured deposits and promoted the growth of core liabilities. The average cost ratio of deposits decreased by 0.08 percentage points, which led to a decrease of RMB3,208 million in interest expenses as compared with the corresponding period of the previous year.

(2) Interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreement

During the Reporting Period, interest expenses on deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB32,242 million, representing an increase of RMB2,559 million, or 8.62%, as compared with the corresponding period of the previous year. The increase was mainly due to the growth in the interest expenses on balances from banks and financial institutions.

(3) Interest expenses on debt securities issued

During the Reporting Period, interest expenses on debt securities issued by the Group amounted to RMB23,352 million, representing a decrease of RMB978 million, or 4.02%, as compared with the corresponding period of the previous year, mainly due to the decrease of RMB56,581 million in daily average scale of debt securities issued, which led to a decrease of RMB1,707 million in interest expenses as compared with the corresponding period of the previous year.

(4) Interest expenses on borrowings from central bank and other financial institutions and other interest expenses

During the Reporting Period, interest expenses on borrowings from central bank and other financial institutions and other interest expenses of the Group amounted to RMB12,853 million, representing an increase of RMB264 million, or 2.10%, as compared with the corresponding period of the previous year.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(IV) Net non-interest income

During the Reporting Period, net non-interest income of the Group amounted to RMB39,779 million, representing a decrease of RMB6,804 million, or 14.61%, as compared with the corresponding period of the previous year.

Item (RMB million)	2021	2020	Change (%)
Net fee and commission income	**27,566**	27,664	-0.35
Other net non-interest income	**12,213**	18,919	-35.45
Total	**39,779**	46,583	-14.61

1. Net fee and commission income

During the Reporting Period, the net fee and commission income of the Group was RMB27,566 million, representing a decrease of RMB98 million, or 0.35%, as compared with the corresponding period of the previous year. Among them, the income from custody and other fiduciary services increased by RMB4,263 million as compared with the corresponding period of the previous year, mainly due to the growth of income from fixed management fees and floating management fees of wealth management products. The fees of agency services decreased by RMB2,012 million as compared with the corresponding period of the previous year, mainly due to that guided by the regulatory policies and due to the impact of the market environment, the scale of businesses such as agency of single premium for insurance and financing trust continued to be reduced, and the income from corresponding agency fees decreased. Settlement and clearing fees decreased by RMB880 million as compared with the corresponding period of the previous year, mainly due to that domestic income from issuance of letters of credit decreased brought by the adjustment of the forfeiting business mode and market fluctuations.

Item (RMB million)	2021	2020	Change (%)
Fee and commission income	**33,135**	33,113	0.07
Of which: Bank card services	**11,473**	11,469	0.03
Trust and other fiduciary services	**10,476**	6,213	68.61
Agency services	**6,422**	8,434	-23.86
Settlement services	**2,001**	2,881	-30.54
Credit commitments	**1,773**	2,104	-15.73
Others	**990**	2,012	-50.80
Fee and commission expense	**5,569**	5,449	2.20
Net fee and commission income	**27,566**	27,664	-0.35

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2. Other net non-interest income

During the Reporting Period, the Group realised other net non-interest income of RMB12,213 million, representing a decrease of RMB6,706 million, or 35.45%, as compared with the corresponding period of the previous year, mainly due to that the daily average scale of trust and asset management plans, wealth management products of the Bank measured at fair value through profit or loss decreased by RMB147,026 million, which led to a decrease of RMB6,525 million in income as compared with the corresponding period of the previous year.

Item (RMB million)	2021	2020	Change (%)
Net trading gain	3,110	4,212	-26.16
Net gain from financial investments	7,346	13,394	-45.15
Other net operating income	1,757	1,313	33.82
Total	12,213	18,919	-35.45

(V) Operating expenses

During the Reporting Period, the Group continued to optimise its resource allocation structure and lay greater emphasis on aspects including information technology, digital finance, basic business development and strategic key businesses, so as to facilitate sustainable and high-quality business development. Operating expenses amounted to RMB51,181 million, representing an increase of RMB696 million, or 1.38% as compared with the corresponding period of the previous year. The cost-to-income ratio was 29.74%, representing an increase of 3.10 percentage points as compared with the corresponding period of the previous year.

Item (RMB million)	2021	2020	Change (%)
Staff costs (including Directors' emoluments)	31,015	28,242	9.82
Depreciation and amortisation	5,665	5,823	-2.71
Short-term lease expenses, low-value lease expenses and property management expenses	843	735	14.69
Tax and surcharges	1,949	2,051	-4.97
Business expenses/office expenses and others	11,709	13,634	-14.12
Total	51,181	50,485	1.38

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(VI) Impairment losses on credit

During the Reporting Period, impairment losses on credit of the Group amounted to RMB77,398 million, representing a decrease of RMB15,590 million, or 16.77%, as compared with the corresponding period of the previous year.

Item (RMB million)	2021	2020	Change (%)
Loans and advances to customers	**58,660**	76,990	-23.81
Financial assets measured at amortised cost	**14,115**	9,684	45.76
Long-term receivables	**2,845**	1,083	162.70
Financial assets at fair value through other comprehensive income	**577**	1,200	-51.92
Others	**1,201**	4,031	-70.21
Total	**77,398**	92,988	-16.77

(VII) Income tax expenses

During the Reporting Period, income tax expenses of the Group amounted to RMB747 million, representing a decrease of RMB857 million, or 53.43%, as compared with the corresponding period of the previous year, mainly due to the impact of the increase in non-taxable income.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

IV. Analysis of Major Items of Statement of Financial Position

(I) Assets

As at the end of the Reporting Period, total assets of the Group amounted to RMB6,952,786 million, representing an increase of RMB2,553 million, or 0.04%, as compared with the end of the previous year.

	31 December 2021		31 December 2020	
Item (RMB million)	**Amount**	**% of total**	Amount	% of total
Total loans and advances to customers	**4,045,692**	**58.19**	3,853,931	55.45
Add: Accrued interests on loans	**25,793**	**0.37**	24,908	0.36
Less: Allowance for impairment losses on loans at amortised cost	**103,806**	**1.49**	96,542	1.39
Net loans and advances to customers	**3,967,679**	**57.07**	3,782,297	54.42
Net financial investments	**2,034,433**	**29.26**	2,120,650	30.51
Cash and balances with central bank	**361,302**	**5.20**	401,525	5.78
Balances and placements with banks and other financial institutions and financial assets held under resale agreements	**252,676**	**3.63**	295,456	4.25
Long-term receivables	**122,716**	**1.76**	127,853	1.84
Property and equipment	**53,466**	**0.77**	51,129	0.74
Others	**160,514**	**2.31**	171,323	2.46
Total	**6,952,786**	**100.00**	6,950,233	100.00

1. Loans and advances to customers

As at the end of the Reporting Period, total loans and advances to customers of the Group amounted to RMB4,045,692 million, representing an increase of RMB191,761 million, or 4.98%, as compared with the end of the previous year. Total loans and advances to customers accounted for 58.19% of total assets, representing an increase of 2.74 percentage points as compared with the end of the previous year.

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2. Financial investments

As at the end of the Reporting Period, total financial investments of the Group amounted to RMB2,027,488 million, representing a decrease of RMB81,071 million, or 3.84%, as compared with the end of the previous year, and accounted for 29.16% of total assets, representing a decrease of 1.18 percentage points as compared with the end of the previous year.

Item (RMB million)	31 December 2021 Amount	31 December 2021 % of total	31 December 2020 Amount	31 December 2020 % of total
Financial assets measured at amortised cost	**1,296,604**	**63.95**	1,321,923	62.70
Of which: Bonds	**1,193,745**	**58.88**	1,171,426	55.56
Trust and asset management plans	**87,596**	**4.32**	139,747	6.63
Other investments	**15,263**	**0.75**	10,750	0.51
Financial assets at fair value through profit and loss	**300,684**	**14.83**	322,480	15.29
Of which: Bonds	**68,443**	**3.38**	74,851	3.55
Trust and asset management plans	**12,860**	**0.63**	12,343	0.58
Other investments	**219,381**	**10.82**	235,286	11.16
Financial assets at fair value through other comprehensive income	**430,200**	**21.22**	464,156	22.01
Of which: Bonds	**421,875**	**20.81**	460,126	21.82
Other investments	**8,325**	**0.41**	4,030	0.19
Total	**2,027,488**	**100.00**	2,108,559	100.00

Note: Other investments include equity instruments, investment fund, debt financing plan, wealth management and others.

The bonds held by the Group in terms of issuers are as follows:

Item (RMB million)	31 December 2021 Amount	31 December 2021 % of total	31 December 2020 Amount	31 December 2020 % of total
Government	**1,003,403**	**59.58**	964,047	56.50
Policy banks	**113,096**	**6.72**	90,682	5.31
Banks and non-banking financial institutions	**187,770**	**11.15**	245,339	14.38
Corporates	**379,794**	**22.55**	406,335	23.81
Total	**1,684,063**	**100.00**	1,706,403	100.00

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Financial bonds held by the Group were mainly policy financial bonds and financial bonds of commercial banks. The top ten financial bonds in terms of par value are as follows:

Item (RMB million)	Par value	Coupon rate (%)	Maturity	Allowance for impairment losses
2021 financial bonds	8,890	3.00	17 June 2024	1.92
2020 financial bonds	8,130	3.23	10 January 2025	2.07
2021 financial bonds	8,120	3.30	3 March 2026	1.80
2021 financial bonds	6,350	2.98	8 January 2024	1.17
2020 financial bonds	5,600	3.34	14 July 2025	1.09
2020 financial bonds	5,410	2.20	1 April 2023	0.78
2020 financial bonds	5,050	1.86	9 April 2023	0.66
2019 financial bonds	4,060	3.45	20 September 2029	0.96
2021 financial bonds	4,010	3.11	4 March 2024	0.81
2019 financial bonds	3,700	3.45	9 July 2022	0.24
Total	59,320			11.50

3. Balances and placements with banks and other financial institutions and financial assets held under resale agreements

As at the end of the Reporting Period, balances and placements with banks and other financial institutions and financial assets held under resale agreements of the Group amounted to RMB252,676 million, representing a decrease of RMB42,780 million, or 14.48%, as compared with the end of the previous year, and accounted for 3.63% of the total assets, representing a decrease of 0.62 percentage points as compared with the end of the previous year.

4. Derivative financial instruments

	31 December 2021			31 December 2020		
	Nominal	Fair value		Nominal	Fair value	
Item (RMB million)	amount	Assets	Liabilities	amount	Assets	Liabilities
Currency derivatives	**2,611,330**	**24,790**	**21,468**	1,940,939	39,988	37,279
Interest rate derivatives	**1,422,507**	**1,047**	**903**	1,399,900	1,193	1,497
Precious metal derivatives	**59,693**	**1,521**	**3,641**	47,559	869	3,673
Others	**6,467**	**103**	**102**	1,666	235	226
Total		**27,461**	**26,114**		42,285	42,675

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(II) Liabilities

As at the end of the Reporting Period, total liabilities of the Group amounted to RMB6,366,247 million, representing a decrease of RMB42,738 million, or 0.67%, as compared with the end of the previous year.

Item (RMB million)	31 December 2021 Amount	31 December 2021 % of total	31 December 2020 Amount	31 December 2020 % of total
Deposits from customers	**3,825,693**	**60.09**	3,768,151	58.79
Of which: Total deposits from customers (excluding accrued interest)	**3,775,761**	**59.31**	3,728,174	58.17
Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements	**1,330,843**	**20.91**	1,135,039	17.71
Debt securities issued	**711,024**	**11.17**	957,880	14.95
Borrowings from central bank and other financial institutions	**394,248**	**6.19**	423,370	6.61
Others	**104,439**	**1.64**	124,545	1.94
Total	**6,366,247**	**100.00**	6,408,985	100.00

1. Deposits from customers

As at the end of the Reporting Period, total deposits from customers of the Group amounted to RMB3,775,761 million, representing an increase of RMB47,587 million, or 1.28%, as compared with the end of the previous year. In respect of customer structure, the proportions of corporate deposits and personal deposits in total deposits were 77.97% and 21.86%, respectively. In respect of maturity structure, the proportions of demand deposits and time deposits in total deposits were 38.77% and 61.06%, respectively.

Item (RMB million)	31 December 2021 Amount	31 December 2021 % of total	31 December 2020 Amount	31 December 2020 % of total
Corporate deposits	**2,944,013**	**77.97**	2,961,617	79.44
Of which: Demand deposits	**1,215,239**	**32.19**	1,287,743	34.54
Time deposits	**1,728,774**	**45.78**	1,673,874	44.90
Personal deposits	**825,423**	**21.86**	758,712	20.35
Of which: Demand deposits	**248,459**	**6.58**	243,780	6.54
Time deposits	**576,964**	**15.28**	514,932	13.81
Certificates of deposit	**3,365**	**0.09**	2,929	0.08
Outward remittance and remittance payables	**2,960**	**0.08**	4,916	0.13
Total	**3,775,761**	**100.00**	3,728,174	100.00

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2. Deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements

As at the end of the Reporting Period, total deposits and placements from banks and other financial institutions and financial assets sold under repurchase agreements of the Group amounted to RMB1,330,843 million, representing an increase of RMB195,804 million, or 17.25%, as compared with the end of the previous year, mainly due to the increase of balances from banks and other financial institutions.

3. Debt securities issued

As at the end of the Reporting Period, total debt securities issued by the Group amounted to RMB711,024 million, representing a decrease of RMB246,856 million, or 25.77%, as compared with the end of the previous year, mainly due to the decreased scale of interbank negotiable certificates of deposit.

(III) Equity of holders of equity shares

As at the end of the Reporting Period, total equity of holders of equity shares of the Group amounted to RMB586,539 million, representing an increase of RMB45,291 million, or 8.37%, as compared with the end of the previous year. Of which, total equity attributable to holders of equity shares of the Bank amounted to RMB574,280 million, representing an increase of RMB44,743 million, or 8.45%, as compared with the end of the previous year.

Item (RMB million)	31 December 2021	31 December 2020	Change (%)
Share capital	**43,782**	43,782	–
Other equity instrument	**89,964**	69,860	28.78
Of which: Preference shares	**19,975**	29,867	-33.12
Perpetual bonds	**69,989**	39,993	75.00
Reserves	**197,390**	190,648	3.54
Of which: Capital reserve	**58,149**	57,419	1.27
Surplus reserve	**51,843**	48,479	6.94
General reserve	**87,013**	86,599	0.48
Other reserves	**385**	-1,849	Negative for the previous period
Retained earnings	**243,144**	225,247	7.95
Total equity attributable to holders of equity shares of the Bank	**574,280**	529,537	8.45
Non-controlling interests	**12,259**	11,711	4.68
Total	**586,539**	541,248	8.37

(IV) Off-balance sheet items

Item (RMB million)	31 December 2021	31 December 2020	Change (%)
Unused credit card commitments	**491,370**	478,980	2.59
Bank acceptances	**340,726**	403,532	-15.56
Guarantees	**146,076**	158,889	-8.06
Letters of credit	**77,382**	116,333	-33.48
Capital commitments	**22,134**	15,775	40.31
Irrevocable credit commitments	**25,050**	13,016	92.46

V. Qualitative Analysis of Loans

(I) Loan distribution by five-category classification

During the Reporting Period, the Group continued to strengthen credit risk management, intensified the collection and disposal of NPLs, and enhanced asset quality management and control. As at the end of the Reporting Period, total NPLs of the Group amounted to RMB72,338 million, representing an increase of RMB2,289 million as compared with the end of the previous year. The NPL ratio was 1.79%, representing a decrease of 0.03 percentage points as compared with the end of the previous year. Total special-mentioned loans were RMB115,297 million, representing an increase of RMB621 million as compared with the end of the previous year. The proportion of special-mentioned loans was 2.85%, representing a decrease of 0.13 percentage points as compared with the end of the previous year.

Item (RMB million)	31 December 2021		31 December 2020		
	Total loans	% of total	Total loans	% of total	Change (%)
Performing loans	**3,973,354**	**98.21**	3,783,882	98.18	5.01
Of which: Pass	**3,858,057**	**95.36**	3,669,206	95.20	5.15
Special-mentioned	**115,297**	**2.85**	114,676	2.98	0.54
NPLs	**72,338**	**1.79**	70,049	1.82	3.27
Of which: Substandard	**24,198**	**0.60**	25,023	0.65	-3.30
Doubtful	**26,043**	**0.64**	24,477	0.64	6.40
Loss	**22,097**	**0.55**	20,549	0.53	7.53
Total	**4,045,692**	**100.00**	3,853,931	100.00	4.98

(II) Loan distribution by product types

As at the end of the Reporting Period, total corporate loans (including discounted bills) of the Group amounted to RMB2,304,361 million, representing an increase of RMB47,071 million as compared with the end of the previous year, accounting for 56.96% of total loans, representing a decrease of 1.61 percentage points as compared with the end of the previous year. Total personal loans amounted to RMB1,741,331 million, representing an increase of RMB144,690 million as compared with the end of the previous year, accounting for 43.04% of total loans, representing an increase of 1.61 percentage points as compared with the end of the previous year.

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As at the end of the Reporting Period, total corporate NPLs (including discounted bills) of the Group amounted to RMB43,667 million, representing an increase of RMB4,983 million as compared with the end of the previous year, and the NPL ratio was 1.89%, representing an increase of 0.18 percentage points as compared with the end of the previous year. Total personal NPLs amounted to RMB28,671 million, representing a decrease of RMB2,694 million as compared with the end of the previous year, and the NPL ratio was 1.65%, representing a decrease of 0.31 percentage points as compared with the end of the previous year.

	31 December 2021				31 December 2020			
Item (RMB million)	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Corporate loans and advances	**2,304,361**	**56.96**	**43,667**	**1.89**	2,257,290	58.57	38,684	1.71
Of which: Discounted bills	**280,874**	**6.94**	**703**	**0.25**	227,859	5.91	977	0.43
Personal loans and advances	**1,741,331**	**43.04**	**28,671**	**1.65**	1,596,641	41.43	31,365	1.96
Of which: Loans to small and micro enterprises	**577,327**	**14.27**	**12,271**	**2.13**	511,365	13.27	14,433	2.82
Residential mortgage	**595,468**	**14.72**	**1,568**	**0.26**	515,296	13.37	1,108	0.22
Credit card overdrafts	**472,077**	**11.67**	**13,924**	**2.95**	462,309	12.00	15,180	3.28
Others	**96,459**	**2.38**	**908**	**0.94**	107,671	2.79	644	0.60
Total	**4,045,692**	**100.00**	**72,338**	**1.79**	3,853,931	100.00	70,049	1.82

Notes:

1. Others included comprehensive consumption loans, commercial housing loans, automobile loans and other personal loans.
2. The Group adjusted small and micro legal person loans from "personal loans" to "corporate loans and advances", and restated the data of the comparative periods.

(III) Loan distribution by industries

The Group closely implemented new development philosophy, adhered to high-quality development, firmly served the real economy, and continued to strengthen the support for key areas including infrastructure construction, the advanced manufacturing industry, inclusive finance, green credit, rural revitalisation, sci-tech innovation, small and medium-sized enterprises. It continued to strengthen the support for mid- to long-term loans to the manufacturing industry, and focused on the support for the development of the strategic emerging manufacturing industry and the upgrade and transformation of the traditional manufacturing industry. The Group stuck to the positioning of "houses are for living in, not for speculation", consolidated the concentration management results of real estate business, and continuously optimised the customer and product structures and promoted healthy and steady development of the real estate business. As at the end of the Reporting Period, corporate loans business of the Group was mainly concentrated on leasing and commercial services, real estate, and manufacturing industries. Of which, total loans to the leasing and commercial services industry amounted to RMB514,854 million, representing an increase of RMB28,049 million as compared with the end of the previous year. Total loans to the real estate industry amounted to RMB360,302 million, representing a decrease of RMB78,798 million as compared with the end of the previous year. Total loans to the manufacturing industry amounted to RMB348,542 million, representing an increase of RMB46,269 million as compared with the end of the previous year.

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As at the end of the Reporting Period, the corporate NPLs of the Group were mainly concentrated on the real estate and mining industries. Total NPLs of the two major industries amounted to RMB18,495 million, representing 42.35% of total corporate NPLs. The increase of NPLs was mainly because the balances of NPLS of the real estate industry and the information transmission, software and IT services industry increased by RMB6,534 million and RMB3,080 million, respectively, which led to the increases of NPL ratios of the two industries as compared with the end of the previous year. The balances of NPLs of other industries decreased by RMB4,631 million in total, as compared with the end of the previous year, and the quality of assets remained stable and tended to get better.

	31 December 2021				31 December 2020			
Item (RMB million)	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Corporate loans and advances								
Leasing and commercial services	**514,854**	**12.73**	**2,980**	**0.58**	486,805	12.63	3,044	0.63
Real estate	**360,302**	**8.91**	**9,574**	**2.66**	439,100	11.39	3,040	0.69
Manufacturing	**348,542**	**8.62**	**6,504**	**1.87**	302,273	7.84	10,265	3.40
Wholesale and retail	**259,230**	**6.41**	**6,606**	**2.55**	175,621	4.56	6,082	3.46
Water, environment and public utilities management	**160,746**	**3.97**	**456**	**0.28**	149,583	3.88	77	0.05
Transportation, storage and postal service	**127,181**	**3.14**	**1,950**	**1.53**	107,754	2.80	4,414	4.10
Financial services	**117,470**	**2.90**	**365**	**0.31**	204,646	5.31	515	0.25
Construction	**112,875**	**2.79**	**1,492**	**1.32**	109,693	2.85	1,319	1.20
Mining	**88,396**	**2.18**	**8,921**	**10.09**	104,342	2.71	8,692	8.33
Production and supply of electric power, heat, gas and water	**86,436**	**2.14**	**629**	**0.73**	69,380	1.80	363	0.52
Information transmission, software and information technology services	**44,566**	**1.10**	**3,418**	**7.67**	30,101	0.78	338	1.12
Agriculture, forestry, animal husbandry and fishery	**20,221**	**0.50**	**435**	**2.15**	12,807	0.33	189	1.48
Accommodation and catering	**13,891**	**0.34**	**2**	**0.01**	16,127	0.42	236	1.46
Others	**49,651**	**1.23**	**335**	**0.67**	49,058	1.27	110	0.22
Subtotal	**2,304,361**	**56.96**	**43,667**	**1.89**	2,257,290	58.57	38,684	1.71
Personal loans and advances	**1,741,331**	**43.04**	**28,671**	**1.65**	1,596,641	41.43	31,365	1.96
Total	**4,045,692**	**100.00**	**72,338**	**1.79**	3,853,931	100.00	70,049	1.82

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(IV) Loan distribution by geographical regions

The Group actively implemented the national strategies for the development of major regions and the strategies for coordinated regional development, continued to carry out in-depth operations in key regions, and moderately reinforced operations in other regions with relatively insufficient credit growth, to promote coordinated regional development. As at the end of the Reporting Period, total loans of the Group to the Yangtze River Delta, Bohai Rim and Western Region ranked top three, being RMB1,004,449 million, RMB630,297 million and RMB616,229 million, respectively, accounting for 24.83%, 15.58% and 15.23%, respectively. In terms of increase of loans, total loans to the Yangtze River Delta and Pearl River Delta increased by RMB76,112 million and RMB62,781 million, respectively, as compared with the end of the previous year. The total increase of loans to the two regions accounted for 72.43% of the total increase of loans.

As at the end of the Reporting Period, the NPLs of the Group were mainly concentrated on the Head Office and the Central Region, the total NPLs of which amounted to RMB16,793 million and RMB13,237 million, respectively, accounting for 41.51% of total NPLs. In terms of the increase of NPLs, the Yangtze River Delta and Western Region had higher increased amount of RMB2,315 million and RMB2,009 million, respectively, as compared with the end of the previous year, and the NPL ratios increased by 0.16 percentage points and 0.21 percentage points, respectively, as compared with the end of the previous year, mainly due to the downgrading of certain corporate customers in the regions.

	31 December 2021				31 December 2020			
Item (RMB million)	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Head Office	**506,340**	**12.52**	**16,793**	**3.32**	548,060	14.22	20,796	3.79
Yangtze River Delta	**1,004,449**	**24.83**	**11,535**	**1.15**	928,337	24.09	9,220	0.99
Pearl River Delta	**586,214**	**14.49**	**7,005**	**1.19**	523,433	13.58	5,264	1.01
Bohai Rim	**630,297**	**15.58**	**10,284**	**1.63**	618,101	16.04	10,009	1.62
Northeastern Region	**97,272**	**2.40**	**1,763**	**1.81**	90,034	2.34	2,428	2.70
Central Region	**508,645**	**12.57**	**13,237**	**2.60**	481,042	12.48	12,455	2.59
Western Region	**616,229**	**15.23**	**11,131**	**1.81**	570,998	14.81	9,122	1.60
Institutions outside the Chinese mainland and subsidiaries	**96,246**	**2.38**	**590**	**0.61**	93,926	2.44	755	0.80
Total	**4,045,692**	**100.00**	**72,338**	**1.79**	3,853,931	100.00	70,049	1.82

Note: For details of the geographical distribution of institutions of the Group, please refer to Note 5 "Segment Information" to the financial statements.

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(V) Loan distribution by types of collateral

As at the end of the Reporting Period, the loan collateral structure of the Group remained stable. Total secured loans amounted to RMB2,364,636 million, representing an increase of RMB119,900 million as compared with the end of the previous year, accounting for 58.45% of total loans. Total unsecured loans amounted to RMB1,010,309 million, representing an increase of RMB62,841 million as compared with the end of the previous year, accounting for 24.97% of total loans. Total guaranteed loans amounted to RMB670,747 million, representing an increase of RMB9,020 million as compared with the end of the previous year, accounting for 16.58% of total loans. Affected by the increase of NPLs of the real estate industry, the NPL ratio of secured loans increased by 0.60 percentage points as compared with the end of the previous year. The NPL ratios of loans with other types of collateral all decreased.

	31 December 2021				31 December 2020			
Item (RMB million)	Total loans	% of total	Total NPLs	NPL ratio (%)	Total loans	% of total	Total NPLs	NPL ratio (%)
Unsecured loans	**1,010,309**	**24.97**	**17,264**	**1.71**	947,468	24.58	19,555	2.06
Guaranteed loans	**670,747**	**16.58**	**14,814**	**2.21**	661,727	17.17	18,308	2.77
Loans secured by	**2,364,636**	**58.45**	**40,260**	**1.70**	2,244,736	58.25	32,186	1.43
Of which: Tangible assets other than monetary assets	**1,739,357**	**42.99**	**35,731**	**2.05**	1,686,307	43.76	24,474	1.45
Monetary assets	**625,279**	**15.46**	**4,529**	**0.72**	558,429	14.49	7,712	1.38
Total	**4,045,692**	**100.00**	**72,338**	**1.79**	3,853,931	100.00	70,049	1.82

(VI) Top ten single loan customers

As at the end of the Reporting Period, the aggregate amount of total loans to the top ten single loan customers of the Group was RMB71,601 million, accounting for 1.77% of total loans and advances to customers and 9.76% of net capital base. The top ten loan customers were as follows:

Item (RMB million)	Amount	% of total loans	% of net capital
Customer A	11,500	0.29	1.57
Customer B	11,000	0.27	1.50
Customer C	9,200	0.23	1.25
Customer D	6,615	0.17	0.90
Customer E	6,490	0.16	0.89
Customer F	6,201	0.15	0.85
Customer G	5,308	0.13	0.72
Customer H	5,288	0.13	0.72
Customer I	5,000	0.12	0.68
Customer J	4,999	0.12	0.68
Total	71,601	1.77	9.76

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(VII) Restructured loans and overdue loans

As at the end of the Reporting Period, total restructured loans of the Group amounted to RMB17,743 million, representing a decrease of RMB986 million as compared with the end of the previous year. The percentage of restructured loans in total loans and advances to customers was 0.44%, representing a decrease of 0.05 percentage points as compared with the end of the previous year. Total overdue loans amounted to RMB87,725 million, representing an increase of RMB9,637 million as compared with the end of the previous year. The percentage of overdue loans in total loans and advances to customers was 2.17%, representing an increase of 0.14 percentage points as compared with the end of the previous year.

Item (RMB million)	31 December 2021		31 December 2020	
	Total loans	% of total	Total loans	% of total
Restructured loans	**17,743**	**0.44**	18,729	0.49
Of which: Restructured loans overdue more than 90 days	**11,990**	**0.30**	9,478	0.25
Overdue loans	**87,725**	**2.17**	78,088	2.03
Of which: Overdue within 3 months	**30,395**	**0.75**	26,338	0.68
Overdue from 3 months up to 1 year	**34,979**	**0.87**	28,543	0.75
Overdue from 1 year up to 3 years	**17,795**	**0.44**	18,207	0.47
Overdue more than 3 years	**4,556**	**0.11**	5,000	0.13

Notes:

1. Restructured loans refer to restructured NPLs.

2. Overdue loans are loans of which the repayment of principal or interest is overdue for one or more days.

(VIII) Repossessed assets

Item (RMB million)	31 December 2021	31 December 2020
Repossessed assets	**5,471**	6,180
Of which: Real estate and land use right	**4,854**	5,940
Motor vehicles	**517**	40
Others	**100**	200
Allowance for impairment losses	**731**	131

(IX) Changes in allowance for impairment losses on loans

Item (RMB million)	31 December 2021	31 December 2020
Opening balance	**97,637**	84,647
Charge for the period, net	**58,660**	76,990
Write-offs and transfer out during the period	**-54,840**	-67,110
Recoveries	**5,204**	4,388
Others	**-1,553**	-1,278
Ending balance	**105,108**	97,637

Method for assessing allowance for impairment losses on loans:

According to the International Financial Reporting Standards No. 9 – Financial Instrument《國際財務報告準則第9號：金融工具》(IFRS 9) and the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No. 7)《企業會計準則第22號--金融工具確認和計量》(財會[2017]7號)) issued by the Ministry of Finance, the Bank used the expected credit loss model to calculate the allowance for impairment losses. According to the new accounting standards for financial instruments, for retail loans and corporate loans in phase 1 and phase 2, the allowance for impairment losses is provided based on risk parametres such as probability of default (PD), and loss given default (LGD) which have gone through forward-looking adjustment. For corporate loans in phase 3, the allowance for impairment losses is provided based on the expected recovery of cash flow for each single loan. Since the adoption of the new standards, the Bank continued to monitor and optimise the expected credit loss model and kept strengthening risk prediction capabilities. The provision of allowance for impairment losses on loans of the Bank was more forward-looking and the management of allowance for impairment losses of the Bank was further refined.

VI. Analysis of Capital Adequacy Ratio

(I) Capital adequacy ratio

The Group calculated its capital adequacy ratio in accordance with the Capital Rules for Commercial Banks (Provisional)《商業銀行資本管理辦法(試行)》(the "Capital Rules") and other relevant regulatory provisions. The calculation of capital adequacy ratio covers the Bank and the financial institutions directly or indirectly invested by the Bank in accordance with the requirements of the Capital Rules. During the Reporting Period, the various capital requirements of the CBIRC for the Group and the Bank are: the minimum core tier-one capital adequacy ratio, tier-one capital adequacy ratio, and capital adequacy ratio should be 5%, 6%, and 8%, respectively. Based on the aforesaid minimum capital requirements, reserve capital, counter-cyclical capital, and additional paid-in capital should also be withdrawn. Specifically, the requirements for reserve capital, counter-cyclical capital, and additional paid-in capital were 2.5%, 0%, and 0%, respectively. During the Reporting Period, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio, and capital adequacy ratio of the Group and the Bank should be no less than 7.5%, 8.5%, and 10.5%, respectively.

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As at the end of the Reporting Period, the core tier-one capital adequacy ratio of the Group was 9.04%, representing an increase of 0.53 percentage points as compared with the end of the previous year; the tier-one capital adequacy ratio of the Group was 10.73%, representing an increase of 0.92 percentage points as compared with the end of the previous year; the capital adequacy ratio of the Group was 13.64%, representing an increase of 0.60 percentage points as compared with the end of the previous year. Among the investees in which the Bank holds the majority equity interest or the right of control, there were two rural banks with regulatory capital shortfall of RMB88 million in aggregate. The table below sets out the capital adequacy ratio of the Group and the Bank:

	31 December 2021		31 December 2020	
Item (RMB million)	**The Group**	**The Bank**	The Group	The Bank
Net core tier-one capital	**486,552**	**456,364**	461,921	437,830
Net tier-one capital	**577,079**	**546,320**	532,348	507,682
Total net capital base	**733,703**	**698,418**	707,472	678,609
Core tier-one capital	**491,386**	**474,747**	466,960	450,670
Core tier-one capital deductions	**-4,834**	**-18,383**	-5,039	-12,840
Other tier-one capital	**90,907**	**89,964**	70,831	69,860
Other tier-one capital deductions	**-380**	**-8**	-404	-8
Tier-two capital	**156,624**	**152,104**	175,124	170,935
Tier-two capital deductions	**–**	**-6**	–	-8
Total risk-weighted assets	**5,379,458**	**5,094,876**	5,425,856	5,136,410
Of which: Credit risk-weighted assets	**4,981,119**	**4,713,703**	5,019,411	4,738,017
Market risk-weighted assets	**71,775**	**67,007**	93,101	89,277
Operational risk-weighted assets	**326,564**	**314,166**	313,344	309,116
Core tier-one capital adequacy ratio (%)	**9.04**	**8.96**	8.51	8.52
Tier-one capital adequacy ratio (%)	**10.73**	**10.72**	9.81	9.88
Capital adequacy ratio (%)	**13.64**	**13.71**	13.04	13.21

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As at the end of the Reporting Period, the leverage ratio of the Group was 7.60%, representing a decrease of 0.02 percentage points as compared with the end of September 2021. The leverage ratio of the Group is as follows:

Item (RMB million)	31 December 2021	30 September 2021	30 June 2021	31 March 2021
Leverage ratio (%)	**7.60**	7.62	7.50	7.07
Net tier-one capital	**577,079**	589,454	579,531	547,810
On-and off-balance sheet assets after adjustment	**7,596,574**	7,738,516	7,727,571	7,753,201

For details of the regulatory capital, please refer to the section headed "Investors Relations – Announcements and Disclosures – Regulatory Capital" on the Bank's website (www.cmbc.com.cn).

(II) Evaluation of internal capital adequacy

In accordance with the requirements of the Capital Rules《資本管理辦法》, the Bank initiated the establishment of a system for evaluating internal capital adequacy. So far, the Bank has established relatively comprehensive evaluation procedures and a governance structure of internal capital adequacy, including risk preference, identification and evaluation of major risks, second pillar capital surcharge, capital planning, and capital adequacy ratio stress testing. The Bank has formulated related policies and systems of internal capital adequacy, which specified the responsibilities of the Board, the Senior Management and related departments in the evaluation procedures of internal capital adequacy. In addition, through continuous establishment and improvement of effective evaluation measures and management procedures, the comprehensiveness and efficiency of the capital management and risk management of the Bank have been ensured.

(III) Capital plan and capital adequacy ratio management plan

To cope with the complicated economic and financial situation of domestic and international markets, as well as to conform to the deepening financial reform and further enhance its capital management to take advantage of the leading role of capital and to facilitate sustainable and healthy business growth, the Bank formulated the 2021-2023 Capital Management Plan of China Minsheng Banking Corp., Ltd.《中國民生銀行股份有限公司2021-2023年資本管理規劃》(the "Capital Management Plan") in accordance with regulatory requirements and development strategy and business plan, which was considered and approved by the Board. In formulating the Capital Management Plan, the Bank considered factors including domestic and foreign economic and financial situations, capital regulatory trends and continuous promotion of strategic transformation, and the principles and targets for capital management were clarified in the Plan. Adhering to the principle of creating values for its holders of equity shares and the society and on the basis of capital management, the Bank shall formulate a reasonable capital plan, enhance its capital budget and allocation management, strengthen the capital appraisal and constraints, and promote the optimisation and adjustment of its business structure, so as to support business development with high quality and efficiency as well as improve the capital utilisation efficiency. In addition, the Bank shall further improve its evaluation system for internal capital adequacy and capital contingency plan so as to further improve capital management.

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(IV) Credit risk exposure

The following table sets forth the exposure to credit risk of the Group measured according to the Capital Rules《資本管理辦法》.

Item (RMB million)	31 December 2021	31 December 2020
On-balance sheet credit risk exposure	6,877,333	6,846,439
Of which: Asset-backed securitisation risk exposure	263,224	304,232
Off-balance sheet credit risk exposure	617,508	717,676
Counterparty credit risk exposure	29,111	26,861
Total	7,523,952	7,590,976

(V) Market risk capital requirements

The Group adopted standardised approach to measure market risk capital requirements. The following table sets forth capital requirements for different types of market risk of the Group as at the end of the Reporting Period.

Item (RMB million)	31 December 2021	31 December 2020
Interest rate risk	3,836	4,227
Stock risk	491	1,163
Exchange rate risk	1,293	1,937
Commodity risk	74	68
Option risk	43	7
Specific risk of asset-backed securitisation risk exposure in the trading books	5	46
Total	5,742	7,448

(VI) Operational risk capital requirements

As at the end of the Reporting Period, the operational risk capital requirements of the Group measured according to basic indicator approach amounted to RMB26,125 million.

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VII. Liquidity Indicators

(I) Liquidity coverage ratio

As at the end of the Reporting Period, the liquidity coverage ratio of the Group was 133.42%, exceeding the regulatory requirements by 33.42 percentage points. The Group had an adequate reserve of prime quality current assets and was well positioned to resist shocks from short-term liquidity risk.

Item (RMB million)	31 December 2021	31 December 2020
Liquidity coverage ratio (%)	**133.42**	128.37
Qualified current assets	**956,827**	959,398
Net cash outflow in 30 days	**717,163**	747,370

(II) Net stable funding ratio

As at the end of the Reporting Period, the net stable funding ratio (NSFR) of the Group was 104.11%, exceeding the regulatory requirements by 4.11 percentage points. The Group had adequate sources of net stable funding that could support sustained and stable business development.

Item (RMB million)	31 December 2021	30 September 2021	30 June 2021
Net stable funding ratio (%)	**104.11**	103.86	104.25
Stable funding available	**4,071,966**	4,096,604	3,897,189
Stable funding required	**3,911,174**	3,944,502	3,738,318

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VIII. Segment Report

The business segments of the Group are categorised as corporate banking, retail banking and others for the purposes of management, reporting and evaluation. The geographical segments are categorised into eight including the Head Office, Yangtze River Delta, Pearl River Delta, Bohai Rim, Northeastern Region, Central Region, Western Region, institutions outside the Chinese mainland and subsidiaries for the purposes of management, reporting and evaluation.

(I) Segment operating results by business line

Item (RMB million)	31 December 2021 Total assets	2021 Operating income	2021 Profit before income tax
Corporate banking	**4,475,982**	**86,686**	**16,864**
Retail banking	**1,765,982**	**70,391**	**28,082**
Others	**658,918**	**8,477**	**-9,346**
Total	**6,900,882**	**165,554**	**35,600**

Item (RMB million)	31 December 2020 Total assets	2020 Operating income	2020 Profit before income tax
Corporate banking	4,724,060	101,956	22,361
Retail banking	1,596,277	71,133	21,805
Others	579,863	8,718	-7,460
Total	6,900,200	181,807	36,706

Note: Total assets excluded deferred income tax assets.

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(II) Segment operating results by geographical region

Item (RMB million)	31 December 2021 Total assets	2021 Operating income	Profit before income tax
Head Office	**3,060,640**	**54,768**	**4,438**
Yangtze River Delta	**1,236,380**	**28,453**	**12,634**
Pearl River Delta	**625,416**	**18,370**	**8,708**
Bohai Rim	**1,207,506**	**20,256**	**3,228**
Northeastern Region	**154,200**	**2,732**	**-210**
Central Region	**502,893**	**15,696**	**969**
Western Region	**616,835**	**16,278**	**2,439**
Institutions outside the Chinese mainland and subsidiaries	**365,510**	**9,001**	**3,394**
Inter-region adjustment	**-868,498**	**–**	**–**
Total	**6,900,882**	**165,554**	**35,600**

Item (RMB million)	31 December 2020 Total assets	2020 Operating income	Profit before income tax
Head Office	3,268,512	65,355	8,516
Yangtze River Delta	1,231,814	28,566	12,330
Pearl River Delta	623,945	19,721	9,339
Bohai Rim	1,172,780	22,501	3,152
Northeastern Region	141,960	2,701	-190
Central Region	478,232	15,533	-1,756
Western Region	570,617	18,363	936
Institutions outside the Chinese mainland and subsidiaries	377,884	9,067	4,379
Inter-region adjustment	-965,544	–	–
Total	6,900,200	181,807	36,706

Note: Total assets excluded deferred income tax assets.

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IX. Other Financial Information

(I) Items relating to fair value measurement

1. Internal control system relating to fair value measurement

In order to regulate fair value measurement, improve the quality of financial information, strengthen risk control and protect the legitimate interests of investors and all relevant parties, the Bank has formulated the Administrative Measures Regarding Account Valuation of Financial Instruments at Fair Value of China Minsheng Bank《中國民生銀行金融工具公允價值入賬估值管理辦法》based on the Accounting Standards for Business Enterprises《企業會計準則》, which expanded the scope of fair value measurement to cover certain financial assets and financial liabilities, and clarified and refined the principles, methods and procedures for determining fair value. With the aim to enhance the rationality and reliability of the valuation of fair value, the Bank has assigned specific working responsibilities to relevant managing departments for fair value management, so as to continuously strengthen research on the valuation of its asset and liability businesses and improve internal valuation capabilities. The Bank will also gradually optimise the valuation models and systems, and strengthen the verification of prices obtained externally. Moreover, the Bank had implemented corresponding internal control measures over the fair value measurement process, including double-checking on fair value measurement, and adopting a valuation procedure on fair value featuring multiple check and risk warning and monitoring on valuation results, etc. Furthermore, by supervising and checking the range determined and valuation methodology and procedures of fair value, the internal audit departments improved internal control within the Bank.

The Bank has adopted new accounting standards including the International Financial Reporting Standard 9: Financial Instruments《國際財務報告準則第9號：金融工具》(IFRS9) and the Accounting Standards for Business Enterprises No. 22–Recognition and Measurement of Financial Instruments《企業會計準則第22號－金融工具確認和計量》, Accounting Standards for Business Enterprises No. 23–Transfer of Financial Assets《企業會計準則第23號－金融資產轉移》, Accounting Standards for Business Enterprises No. 24–Hedge Accounting《企業會計準則第24號－套期會計》and Accounting Standards for Business Enterprises No. 39–Fair Value Measurements《企業會計準則第39號－公允價值計量》promulgated by the Ministry of Finance. During the Reporting Period, the Bank completed the SPPI test, product classification, valuation, and impairment assessment of financial instruments. Fair value measurement has been conducted in accordance with the new accounting standards.

2. Financial instruments measured at fair value

The Bank's financial instruments measured at fair value include: financial assets/liabilities at fair value through profit or loss, derivative financial instruments, and financial assets at fair value through other comprehensive income. In particular, the valuation methods of bond investment were listed as follows: for RMB bonds, in principle the valuation provided by China Central Depository & Clearing Co., Ltd. would apply. For bonds denominated in foreign currencies, market value was determined through a combination of Bloomberg quotes and enquiries. The valuation of derivative financial instruments was obtained from quotes in the open market and model valuation. In particular, the valuation of certain derivative financial instruments in which customers are interested was obtained from market enquiries, while the valuation of foreign exchange option was obtained from system model valuation. Derivative financial instruments mainly consisted of interest rate swaps in which customers have interests and proprietary instruments in which market risks had been basically hedged, including interest rate swaps as well as forwards, swaps and options of precious metals and foreign exchanges. Investment in public funds was valued by using market approach. Non-standard investments, such as discounted bills and rediscounted bills, forfeiting, asset management plans, income rights, equity investments, subordinated tranches of asset-backed securities and convertible bonds, were valued by using model valuation approach. The main valuation techniques included discounted cash flow approach and market approach, etc.

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(II) Overdue and outstanding liabilities

As at the end of the Reporting Period, the Group had no material outstanding liabilities that were overdue.

(III) Cash flow

During the Reporting Period, the Group's net cash flow from operating activities amounted to RMB155,417 million, and the net inflow increased by RMB237,819 million as compared with the corresponding period of the previous year, mainly due to the increase in net inflow of deposits and placements from banks and other financial institutions, and the decrease in net cash outflow of the business of loans and advances to customers. The net cash inflow from investing activities amounted to RMB117,908 million, and the net inflow increased by RMB110,248 million as compared with the corresponding period of the previous year, mainly due to the increase in cash from recovery of investments and the decrease in cash payment of investment. The net cash outflow from financing activities amounted to -RMB266,720 million, and the net inflow decreased by RMB358,685 million as compared with the corresponding period of the previous year, mainly due to the decrease in cash received from issuing interbank negotiable certificate of deposits (IBNCD).

Item (RMB million)	2021	2020	Change
Net cash flow from operating activities	**155,417**	-82,402	Net inflow increasing by 237,819
Of which: Net cash flow from deposits and placements from banks and other financial institutions	**221,676**	-92,543	Net inflow increasing by 314,219
Net cash flow from loans and advances to customers	**-244,767**	-431,147	Net outflow decreasing by 186,380
Net cash flow from financial assets held for trading purposes	**18,604**	115,683	Net inflow decreasing by 97,079
Net cash flow from borrowings from central bank	**-12,605**	92,085	Net inflow decreasing by 104,690
Net cash flow from investing activities	**117,908**	7,660	Net inflow increasing by 110,248
Of which: Cash inflow from recovery of investments and collection of investment yield	**1,353,113**	1,288,984	Inflow increasing by 64,129
Cash outflow from payment for investments	**-1,228,550**	-1,276,243	Outflow decreasing by 47,693
Net cash flow from financing activities	**-266,720**	91,965	Net inflow decreasing by 358,685
Of which: Cash inflow from issuance of debt securities	**766,573**	1,040,440	Inflow decreasing by 273,867
Cash outflow from repayment of debt securities	**-1,025,490**	-914,743	Outflow increasing by 110,747

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X. Operational Concerns

(I) Deposits from customers

During the Reporting Period, the deposits of the Bank increased steadily, and the cost decreased continuously. As at the end of the Reporting Period, total deposits of the Bank amounted to RMB3,748,480 million, representing an increase of RMB51,220 million, or 1.39%, as compared with the end of the previous year, accounting for 60.56% of total liabilities, representing an increase of 1.12 percentage points as compared with the end of the previous year. Among them, the balance of structured deposits was RMB44,399 million, representing a decrease of RMB125,746 million, or 73.91%, as compared with the end of the previous year. Core liabilities increased by RMB169,520 million, or 5.03%, as compared with the end of the previous year. The optimisation of the deposit structure promoted the continuous reduction of cost. During the Reporting Period, the cost ratio of deposits of the Bank was 2.18%, representing a decrease of 0.08 percentage points as compared with the corresponding period of the previous year.

During the Reporting Period, the Bank further concentrated its operations on basic customer groups and basic businesses. Through multiple measures including integrated management of customer groups, classified management of deposits, strengthened assessment and guidance, the scale growth and structure optimisation of deposits were promoted. The Bank established the mechanism of coordinated development of accounting and evaluation, to promote the growth of effective customers and improvement of less efficient customers. Through innovation of products and service solutions such as settlement and cash management, and scenario-oriented supply chain finance, the Bank drove the growth of low-cost settlement-based deposits. It actively reduced high-cost structured deposits, and continuously enhanced the management of high-cost deposits, to guide the steady decrease of the cost ratio of deposits.

During the Reporting Period, the number of domestic customers with balance of deposits and that of new customers with newly opened deposit accounts both increased as compared with the corresponding period of the previous year, in addition to rapid growth in the number of effective corporate and retail customers.

Looking into 2022, the Bank will continue to strengthen the integrated management of customer groups, further optimise the assessment and incentive mechanism, enhance empowerment of fintech, to promote the growth of scale and optimisation of structure of deposits.

(II) Loan placement

During the Reporting Period, the loans of the Bank remained steady growth in general. As at the end of the Reporting Period, total loans and advances to customers of the Bank amounted to RMB4,022,836 million, representing an increase of RMB189,706 million, or 4.95%, as compared with the end of the previous year, accounting for 59.55% in total assets, representing an increase of 2.68 percentage points as compared with the end of the previous year. Among them, personal loans increased by RMB143,131 million, or 9.06%, as compared with the end of the previous year, accounting for 42.83% of total loans, representing an increase of 1.62 percentage points as compared with the end of the previous year.

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The Bank actively implemented the decisions and arrangements of the CPC Central Committee and the regulatory requirements, deeply integrated into national development strategies and strengthened the support for the real economy. Firstly, the Bank continuously enhanced the credit support to areas with the state's priority support. As at the end of the Reporting Period, the growth rates of loans to the manufacturing industry, inclusive small business loans and loans to green sectors were significantly higher than that of other loans. Secondly, the Bank proactively carried out the national strategy of coordinated regional development, and vigorously supported the national key strategic areas such as Guangdong-Hong Kong-Macau Greater Bay Area, Yangtze River Delta, Beijing-Tianjin-Hebei and Chengdu-Chongqing. As at the end of the Reporting Period, new loans to the four key regions accounted for 61.07% of total new loans. Thirdly, the Bank actively responded to the call for financial institutions to benefit the real economy, and further alleviated the burden on enterprises by cutting loan interest rates and reducing and exempting fees and surcharges on intermediary business, etc.

In 2022, the Bank will promote the steady growth of the credit business based on macro-economic situation and requirements of reform and transformation, continue to optimise credit structure, and enhance financial support for key industries, enterprises and key areas including inclusive small business, medium, small and micro enterprises, housing mortgage, green finance, high-end manufacturing industry, rural revitalisation, strategic customers of the Head Office level and of the branch level.

(III) Net interest margin

During the Reporting Period, the net interest margin of the Group was 1.91%, representing a decrease of 23BP as compared with the corresponding period of the previous year. The decrease of net interest margin was mainly due to that the decline of the return ratio of interest-earning assets (4.21%) was relatively big, representing a decrease of 32BP as compared with the corresponding period of the previous year. Among them, the loan return ratio (4.96%) decreased by 39BP, as compared with the corresponding period of the previous year. The decrease of the return ratio of interest-earning assets was mainly due to:

Firstly, the Bank continued to optimise customer structure, reduced credit risks and enhanced credit granting to strategic customers and high-rating customers. Meanwhile, the scale of loans with higher yields to real estate development decreased to a certain extent. Secondly, the continuous reduction in LPR promoted the decline of loan interest rates, and the 1Y LPR had been lowered by more than 50BP accumulatively. Loans to medium, small and micro enterprises of the Bank accounted for a larger proportion in all loans of the Bank and the Bank continuously increased the granting of such loans. However, the terms of small business loans was short and the repricing was relatively fast, exerting a larger impact on the return ratio of loans. Thirdly, the Bank actively implemented the national policies on fees and surcharges reductions, increased the credit facilities to key areas including the manufacturing industry, green credit, rural revitalisation, inclusive finance, actively served the development of the real economy. Fourthly, the Bank adjusted and optimised the business structure and returned to its business origins, and reduced the scale of investment in trust and asset management plans featuring higher credit risks.

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At the same time, the Bank actively carried out asset and liability management, and promoted the optimisation of asset-liability structure, which offset the impact of decrease of the return ratio of assets to a certain extent: on one hand, the Bank optimised the asset structure, and the daily average proportion of credit assets in interest-earning assets increased by 1.14 percentage points, as compared with the corresponding period of the previous year; on the other hand, the Bank enhanced the growth of core liabilities, reduced structured deposits featuring high cost, optimised the deposit structure, and strengthened deposit cost management, and realised continuous decline in deposit costs in two consecutive years.

Looking into 2022, the Bank will continue to deepen reform and transformation and strengthen the management of net interest margin through multiple measures. In terms of the asset end, the Bank will further improve the proportion of credit assets in interest-earning assets, optimise the credit business structure, enhance integrated pricing management of customers, and highlight value guidance. Meanwhile, based on the fluctuations of the currency market and the capital market, the Bank will reasonably allocate bond investment and interbank assets, optimise the maturity structure, and raised the income level. In terms of liabilities, the Bank will take consolidation of the customer base as the primary objective, and core liabilities as a strategy-oriented business, and enhance the growth of low-cost settlement-based deposits. The Bank will strengthen the management and control of high-cost liabilities, raising funds from multiple channels, reasonably allocate and arrange the scale and maturity structure of interbank liabilities, issued bonds, and other funds.

(IV) Formation and collection and disposal of non-performing assets

The Bank strengthened credit risk management and control, strictly controlled credit access, improved the early-warning capability, and took the initiative to exit from businesses with risky customers, and prevented and controlled new risks. In 2021, the formation rate of NPLs[2] was 2.26%, representing a decrease of 1.37 percentage points, as compared with the corresponding period of the previous year. From the perspective of business types, the formation rates of NPLs of corporate and retail businesses all decreased as compared with the corresponding period of the previous year.

The Bank continued to strengthen the collection and disposal of non-performing assets, and gradually improved the collection and disposal efficiency of non-performing assets through improving systems and mechanisms, enhancing resource allocation and strengthening professional disposal. During the Reporting Period, the Bank had collected and disposed non-performing assets of RMB97,475 million in total, among which, NPLs of RMB83,912 million were collected and disposed. Divided by the disposal method, non-performing assets of RMB34,858 million were written off, RMB22,115 million were transferred, RMB11,418 million were collected in cash, RMB7,484 million were securitised, RMB8,037 million were collected and disposed through repossession and other methods, and non-credit non-performing assets of RMB13,563 million were collected and disposed. Meanwhile, the Bank strengthened the collection and management of written-off assets, and adhered to the principle of "keeping records of accounts written off and pursuing collection when the rights are still available". During the Reporting Period, the Bank had collected written-off loans of RMB5,204 million.

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[2] Formation rate of NPLs=New NPLs of the period/total loans and advances to customers at the beginning of the period

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The Bank persisted on strict classification of assets, prudent calculation of allowance for impairment losses, and continuously improved its risk offsetting capability. As at the end of the Reporting Period, the balance of allowance for impairment losses on loans of the Group was RMB105,108 million, representing an increase of RMB7,471 million, as compared with the end of the previous year. The allowance to NPLs was 145.30%, representing an increase of 5.92 percentage points as compared with the end of the previous year, and the allowance to total loans was 2.60%, representing an increase of 0.07 percentage points as compared with the end of the previous year. The credit cost[3] was 1.49%, representing a decrease of 0.61 percentage points as compared with the corresponding period of the previous year, mainly due to that the asset quality of the Bank within the Reporting Period improved steadily.

In 2022, the Bank will solidify the internal control system for risks with "four bridges and eight pillars", strictly practise unified credit granting and industrial limit management, continue to optimise asset structure, deepen credit approval system reform, perfect the construction of credit systems, actively prevent and control risks of key areas, make early warning more effective and forward-looking, and realise early warning, early investigation and early exit from businesses with risky customers. Meanwhile, the Bank will continue to strictly classify asset risks, prudently provide allowance for impairment losses, optimise the assets preservation mechanism, adopt different policies according to risk classification, and accelerate the collection and disposal of non-performing assets professionally and dedicatedly, to ensure that the asset quality continues to improve.

(V) Risk management and control of the real estate industry

Since the second half of 2021, due to the impact of multiple factors, the risks accumulated in the early stage in the real estate industry have begun to appear, and some high-leverage real estate companies have encountered capital chain problems. Since the end of September 2021, real estate-related regulation and control policies have tended to be moderate, financial support has increased significantly, the real estate market has gradually stabilised, and the risks in the real estate industry have generally lowered. The Bank attached great importance to risk prevention in the real estate sector, strictly implemented the regulatory requirements, and nipped risks in the bud and improved various systems in accordance with the overall principle of "strictly granting access, optimising structure, enhancing management, and improving quality", and comprehensively improved the whole-process credit management capability. At the end of 2021, the concentration rate of real estate loans calculated by the Bank in accordance with the relevant provisions of the CBIRC satisfied the regulatory requirements.

As at the end of the Reporting Period, the balance of corporate real estate credit granting business of the Group was RMB473,444 million (including loans, off-balance sheet credit granting, standard debt investment, non-standard debt investment, and bond investment, etc.), representing a decrease of RMB116,947 million, or 19.81%, as compared with the end of the previous year. Among them, the balance of loans to the real estate industry was RMB360,302 million, accounting for 76.10%, representing a decrease of RMB78,798 million, or 17.95%, as compared with the end of the previous year. The balance of off-balance sheet credit

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[3] Credit cost = Impairment losses on loans in the period/((Total loans and advances to customers at the beginning of the period + Total loans and advances to customers at the end of the period)/2)

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granting business such as letters of guarantee amounted to RMB10,521 million, representing a decrease of RMB9,081 million as compared with the end of the previous year. The balance of commercial mortgage backed securitisation (CMBS) and mortgage backed securitisation (MBS) businesses was RMB50,792 million, representing a decrease of RMB5,972 million as compared with the end of the previous year. The interbank investment amounted to RMB39,893 million, representing a decrease of RMB15,153 million as compared with the end of the previous year. The balance of real estate corporate bond business was RMB8,261 million, representing a decrease of RMB6,903 million as compared with the end of the previous year. Real estate loans, letters of guarantee and non-standard investment business of the Group were mainly invested in real estate development projects, which mainly concentrated in the first- and second-tier cities, and were secured with project lands and construction projects in progress as collaterals, and additional equity pledges of the project companies and guarantees of their group companies, which were generally sufficient in value, and the risks of real estate projects were generally controllable. As at the end of the Reporting Period, the NPL ratio of the corporate real estate industry of the Group was 2.66%, representing an increase of 1.97 percentage points as compared with the end of the previous year.

As at the end of the Reporting Period, the balance of businesses of the Group, including real estate related net worth wealth management, entrusted loans, agency trust actively managed by cooperative institutions, lead underwriting debt financing instruments and others, amounted to RMB87,585 million, representing a decrease of RMB27,046 million, or 23.59%, as compared with the end of the previous year. Among them, the balance of net worth wealth management was RMB40,373 million, which was mainly invested in MBS and CMBS. The balance of agency sales was RMB9,556 million, representing a decrease of RMB5,520 million as compared with the end of the previous year. The balance of bond underwriting business was RMB30,124 million, representing an increase of RMB4,132 million as compared with the end of the previous year. The balance of entrusted loans was RMB7,532 million, representing a decrease of RMB700 million as compared with the end of the previous year.

In 2022, the Bank will continue to attach great importance to the risk prevention in the real estate sector, strictly implement regulatory requirements, strictly implement the access management of cities and customers in accordance with the general principle of "stablising total amount, adjusting structures, strengthening management and controlling risks", accelerate structural adjustment, actively support the granting of development loans and M&A loans of high-quality real estate enterprises, increase the support for affordable rental housing loans, and effectively defuse risks of customers and projects. It is expected that in the context of stablisation of macroeconomic and real estate policies, the asset quality of the real estate sector of the Group will be generally controllable.

(VI) Capital management

During the Reporting Period, the Group took "enhancing efficiency, creating value, strengthening constraints, optimising structure, strengthening endogenous accumulation and replenishing reasonably" as the principle of capital management. On the basis of meeting regulatory requirements and improving the capability of resisting risks, the Group deepened structural adjustment, strengthened the development of strategic businesses and key areas, fully guaranteed credit placement, and promoted the steady and orderly development of all businesses. As at the end of the Reporting Period, the Group's core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio were improved to 9.04%, 10.73% and 13.64%, respectively, representing increases of 0.53, 0.92 and 0.60 percentage points, respectively, as compared with the end of the previous year.

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Based on capital planning and business development, the Bank promoted external capital replenishment in an orderly manner. In April 2021, the Bank publicly issued undated capital bonds with a total amount of RMB30 billion in the national interbank bond market. The proceeds were used to supplement other tier-one capital of the Bank, which optimised the capital structure and enhanced the ability to serve the real economy.

In the fourth quarter of 2021, the Bank was selected into the list of the 2nd group of domestic systemically important banks, subject to the additional capital requirement of 0.5% (to be met by core tier-one capital) and the additional leverage ratio requirement of 0.25%, which will be implemented from 1 January 2023. Selection into the list of domestic systemically important banks marks that the Bank has entered a new development stage, and the Bank needs to shoulder greater responsibilities and obligations in serving the real economy and preventing and controlling financial risks. The Bank will firmly bear in mind the concept of capital saving and continue to deepen the adjustment of asset-liability structure. At the same time, it will continue to improve the capital replenishment mechanism, improve the endogenous accumulation of capital, rationally plan external financing, and improve the level of capital adequacy of the whole bank, to provide guarantee for the steady growth and sustainable development of the businesses.

XI. Review of Main Businesses

(I) Corporate banking business

The Bank vigorously implemented the "customer-centric" management philosophy for corporate business, focused on the segmented and classified management of customer groups as well as product innovation, witnessed a steady growth in the size of assets and liabilities, continuously optimised business structure, and gradually consolidated customer group base, and maintained the steady and healthy development of corporate business as a whole. During the Reporting Period, the operating income of corporate business of the Bank amounted to RMB72,319 million, accounting for 45.34% of the total operating income of the Bank; of which, the net non-interest income amounted to RMB10,243 million, accounting for 26.94% of the total net non-interest income of the Bank. The daily average corporate deposits of the Bank amounted to RMB3,045,496 million, representing an increase of RMB68,965 million, or 2.32%, as compared with the previous year. The structure of corporate deposits was optimised continuously, and the daily average demand deposits accounted for 42.43%, representing an increase of 2.48 percentage points as compared with the previous year. As at the end of the Reporting Period, the balance of corporate structured deposits of the Bank accounted for 0.87% of corporate deposits, which continued to maintain a relatively low level among peers of the industry. The cost of corporate deposits continued to decline, with the average cost ratio amounting to 2.15%, representing a decrease of 0.09 percentage points as compared with the corresponding period of the previous year. The balance of corporate loans of the Bank amounted to RMB2,299,947 million, representing an increase of RMB46,575 million, or 2.07%, as compared with the end of the previous year. The number of effective corporate customers[4] amounted to 135.5 thousand, representing an increase of 21.0 thousand, or 18.35%, as compared with the end of the previous year.

[4] Effective corporate customers refer to corporate customers with daily average corporate deposits equal to or higher than RMB100.0 thousand in the past 12 months.

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1. Proactively implementing national strategies and effectively supporting the development of the real economy

The Bank proactively integrated itself into national development strategies, vigorously implemented national policies related to supporting the real economy and non-state-owned economies, focused on major fields, concentrated its efforts to integrate itself into national strategies, and continued to increase support for green finance, rural revitalisation, manufacturing industry and others.

The comprehensive service capabilities of green finance steadily improved. During the Reporting Period, the Bank firmly implemented the national strategy for low-carbon transformation, proactively responded to the policy guidance on green industries, continued to increase financial support for green and low-carbon fields, and improved the comprehensive service capabilities of green finance. Firstly, the Bank mainly focused on the transformation of energy structure, energy conservation and emission reduction in traditional industries, innovation of low-carbon technologies, trading of carbon right and carbon sink, ecological protection, international business and other fields, and took strategic customer marketing as the entry point to expand and promote relevant businesses. Secondly, the Bank continued to enrich and improve the product system of "Green Investment Express, Green Finance Express, Green Supply Chain Express and Green Operation Express (綠投通、綠融通、綠鏈通、綠營通)", and comprehensively utilised basic credit, transaction banking, investment banking, supply chain financing and other product models, so as to meet the multi-level demands of segmented customer groups. The Bank innovatively launched "Photovoltaic Loan (光伏貸)", "Emission Reduction Loan (減排貸)" and other products to effectively support the low-carbon transformation and development of enterprises. During the Reporting Period, the Bank facilitated 13 enterprises to successfully issue RMB11,064 million green bonds, including green bills, carbon neutrality bonds, sustainable development-linked bonds and other varieties, and successfully issued the first carbon neutrality asset-backed bills in the market. Thirdly, the Bank proactively deployed the carbon finance market, provided transaction settlement, function expansion and other high-quality basic services for member enterprises as one of the first batch of banks serving the national carbon market, and improved customer experience comprehensively. It continued to enhance the exploration and innovation of carbon finance products, and successfully issued carbon emission right-secured loans for three power enterprises under central enterprise groups based on the national carbon emission registration and clearing system, realising the execution of the first batch of carbon emission right-secured business in the national market.

As at the end of the Reporting Period, the balance of green credit of the Bank amounted to RMB107,317 million, representing an increase of RMB54,648 million, or 103.76%, as compared with the end of the previous year. With its outstanding performance in green finance, the Bank won a number of awards, including the "Green Finance Award of the Year (年度綠色金融獎)" in 2021 by National Business Daily, the "Low-Carbon Bank Award (低碳銀行獎)" by 21st Century Business Herald, the "Best Bank for Green Finance Services (最佳綠色金融服務銀行)" by Financial Times and the "Corporate Social Responsibility Enterprise Award for Low-Carbon Innovation (低碳創新社會責任企業獎)" by China Energy News.

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The comprehensive service system for rural revitalisation continuously improved. During the Reporting Period, the Bank made it as its own task to serve "rural areas, agriculture and farmers", firmly implemented the rural revitalisation strategy with financial services, constantly improved top-level design, strengthened system development, consolidated development foundation, and increased resource support for rural revitalisation. The Bank focused on the three major fields of "agriculture", "rural areas" and "farmers" while continuing to make model exploration and production innovation, launched scenario-based service solutions such as "Photovoltaic Loan (光伏貸)", "Agriculture and Animal Husbandry Loan (農牧貸)", "Agricultural Loan Express (農貸通)" and "E-Agriculture Express (E農通)", with a view to precisely serving core enterprise groups, farmers, and medium, small and micro enterprises. By providing "E-Finance (金融e)" series products and other customised supply chain products, the Bank engaged in the batch development of customers related to agriculture, rural areas and farmers. Several rural banks jointly developed 34 business models such as "Party building + finance (黨建+金融)", "entire village credit granting (整村授信)", "agricultural materials financing (農資融資)" and "list-based credit granting (名單制授信)", and 84 exclusive products such as "Leading Loan (引領貸)", "Homeland Loan (家園貸)", "Agricultural Revitalisation Loan (興農貸)" and "Agricultural Finance Express (農金直通車)", covering more than 500 villages, districts and sub-districts.

As at the end of the Reporting Period, the balance of RMB loans related to agriculture, rural areas and farmers of the Bank amounted to RMB316,416 million, representing an increase of RMB10,527 million as compared with the end of the previous year. Both loans to areas that were lifted out of poverty and loans to counties receiving focused assistance from the country in rural revitalisation achieved rapid growth. The Bank also helped 10 enterprises successfully issue RMB7,360 million rural revitalisation bonds.

The comprehensive services for the manufacturing industry continued to improve in both quality and efficiency. During the Reporting Period, the Bank resolutely implemented the relevant requirements of the CPC Central Committee and the State Council for "implementing the strategy of building China into a manufacturer of quality", and proactively seized on the historical opportunity brought about by the replacement of old growth drivers with new ones for the development of the manufacturing industry. While reasonably reducing the traditional excess and outdated production capacity of steel and non-ferrous metals, petrochemical engineering, textile, papermaking and other industries, the Bank mainly focused on high-tech manufacturing, strategic emerging industries, rebuilding of industrial foundation, "dedicated, refined, distinctive and innovative" enterprises and other major fields, increased financial support, strove to achieve the steady growth of the scale of loans to the manufacturing industry, promoted the continuous adjustment and optimisation of the credit placement structure, and fully supported the high-quality development of intelligent manufacturing and green manufacturing.

During the Reporting Period, the Bank increased the credit placement for the manufacturing industry and continued to improve the quality and efficiency in serving the real economy. Firstly, the Bank made clear the major directions, targeted customer groups and marketing strategies of financial services to elevate the level of precise services. Secondly, the Bank focused on supporting advanced manufacturing enterprises featured by technology intensiveness, added support to mid- to long-term loans, and promoted the replenishment and enhancement of industry chain as well as the adjustment and optimisation of industrial distribution. Thirdly, the Bank continued to improve the utilisation of M&A, syndicated loan and bond-issuance products, innovatively released "Easy Innovation Loan (易創貸)" series products, and enhanced support for the industrial integration, technical transformation and equipment upgrade of the manufacturing industry.

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As at the end of the Reporting Period, the balance of loans to the manufacturing industry of the Bank amounted to RMB346,685 million, representing an increase of RMB46,278 million, or 15.41%, as compared with the end of the previous year, and accounted for 15.07% of all corporate loans of the Bank, representing an increase of 1.74 percentage points as compared with the end of the previous year. Of which, the balance of mid- to long-term loans to the manufacturing industry amounted to RMB268,096 million, representing an increase of RMB32,891 million, or 13.98%, as compared with the end of the previous year; and the balance of unsecured loans to the manufacturing industry amounted to RMB71,034 million, representing an increase of RMB17,980 million, or 33.89%, as compared with the end of the previous year.

2. Reforming the corporate business marketing system and optimising the segmented and classified customer service system

Facing the complex and ever-changing external economic environment, ever-stringent regulatory policies of the industry and severe landscape of increasing competition among banks, the Bank was in urgent need of returning its corporate business to origins, and the previous marketing service system has become the development bottleneck and unsustainable. As for customer group segmentation, the segmentation system was unclear and short of effective organisational support. As for customer group management, the depth of management was insufficient, and there was lack of institutional arrangement of coordinated services for customers by branches and sub-branches. As for customer group services, professional job position system was not yet fully established, and professional service capability called for improvement. The original marketing model and service system already can't meet customer service demands, making it imperative to break the development limit through reform.

During the Reporting Period, the Bank proactively responded to new changes and challenges in the external market and regulatory environment, and by reforming the marketing system for corporate business, the Bank established the professional and dedicated segmented service system for corporate customers covering strategic, institutional and basic customer groups. The Bank further promoted services for the strategic customer group, provided professional and better services for institutional customer group, and expanded services for the basic customer group. Based on the ecosystem and industry chain, the Bank achieved the effective stimulation and expansion from strategic, institutional to basic customer groups. Meanwhile, the healthy development of the institutional customer group and the consolidation of the basic customer group brought about the optimisation of the liability structure, which in turn provided stronger support for serving the strategic customer group, thus forming a sound closed loop of operation.

The marketing service model of the strategic customer group achieved all-round transformation. During the Reporting Period, the Bank comprehensively transformed the mechanism for serving strategic customers, and established the Strategic Clients Department to shape the "customer-centric" new model for serving strategic customers. The Bank conducted "head office-to-head office" marketing, effectively tackled the pain spots of individual operation, and provided segmented, integrated and professional services. The Bank carried out study on "one account one policy", put in place comprehensive service solutions, realised the development of all products, entire supply chain and entire ecosystem, and comprehensively improved service level. The Bank made innovations in "account planning" tools, developed the "Timely Help (及時雨)" system and the "five-in-one" operation model, and formed the featured service mechanism. The Bank clearly defined the first line of risk responsibility, improved in-loan management, strengthened post-loan monitoring, and set up the new-type of risk control system for strategic customers.

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After a year of operation of the new mechanism for serving strategic customers, the Bank achieved "five transformations". Firstly, the service philosophy was transformed from bank-centric to customer-centric. Secondly, the service system was transformed from separate operation to the integrated and coordinated service of the Head Office, branches and sub-branches. Thirdly, the marketing mechanism was transformed from scattered marketing to segmented and coordinated marketing. Fourthly, the service model was transformed from product output to ecosystem development, from the simple comparison of prices and products to the cooperation system of "becoming customers and ecosystems of each other". Fifthly, the risk prevention and control were transformed from focusing more on later prevention and control to valuing the first line of risk control by the customer group departments, achieving "double improvement" in both customer experience and business performance.

During the Reporting Period, the Bank relied on strategic customer services to form the "cornerstone" of performance improvement, and extended the upstream and downstream of strategic customers to develop the "supply chain" for business coordination. The Bank went beyond the traditional model of strategic customers to build the "ecosystem" of becoming customers of each other, and constantly strengthened the capability in serving strategic customers to reshape customer journey, improve customer experience and create customer value. As at the end of the Reporting Period, the number of strategic customers at the Head Office level of the Bank amounted to 332, daily average deposits amounted to RMB656,953 million, representing an increase of RMB95,391 million, or 16.99%, as compared with the previous year, and the balance of loans amounted to RMB547,080 million, representing an increase of RMB94,976 million, or 21.01%, as compared with the end of the previous year. The number of strategic customers at the branch level amounted to 1,084, daily average deposits amounted to RMB349,235 million, representing an increase of RMB33,946 million, or 10.77%, as compared with the previous year, and the balance of loans amounted to RMB341,512 million, representing an increase of RMB52,465 million, or 18.15%, as compared with the end of the previous year. The businesses with strategic customers brought in 182 newly contracted accounts for payroll agency, 135.4 thousand new individual customers, 26.2 thousand new customers of consumer loan business with RMB4,495 million withdrawals, and 425.6 thousand newly issued co-branded credit cards.

As for strategic customers in the real estate industry, facing the downward development and increasing risk of the real estate industry in the second half of the year, on one hand, the Bank actively responded to the changes by advancing the optimisation of customer structure, satisfying the reasonable financing demands of real estate enterprises, and promoting the comprehensive and supply chain-based development of high-quality customers. On the other hand, the Bank strengthened the management of existing projects, facilitated risk diffusion under "one account one policy", and fully coordinated with local governments to "secure stability and secure people's livelihood". As at the end of the Reporting Period, the balance of outstanding corporate loans to the real estate industry of the Bank amounted to RMB360,238 million, representing a decrease of RMB78,789 million as compared with the end of the previous year, which accounted for 15.66% of the corporate loans of the Bank, representing a decrease of 3.82 percentage points as compared with the end of the previous year.

The management of basic customer groups was advanced solidly. The Bank continued to enhance the development of basic customer groups, and by centring on the supply chain and capital chain of strategic customers, as well as the industrial parks and factor market platforms, the Bank vigorously promoted the

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supply chain-based and clustering model of batch customer acquisition. It constantly refined and deepened the classified development of basic customer groups. In light of the demands of customer groups of industrial parks, sci-tech innovation, and other segmented customer groups for full-period, full-scenario and full-ecosystem financial and non-financial services, the Bank launched the "Easy Park (園易)" and "Easy Innovation (易創)" series product systems, and achieved sound results in customer development. The Bank introduced the E-account opening product for corporate customers, which significantly improved the efficiency for account opening by allowing more data transfers and more shared information to reduce errands and paperwork of customers. During the Reporting Period, the number of new effective corporate customers of the Bank was 70,359. Of which, the newly-opened basic accounts accounted for 63.10%. By relying on E-Credit Finance (信融e), E-Bill Finance (票融e), E-Procurement (採購e), E-Credit Sale (賒銷e) and other online supply chain-based financial products, the Bank provided services for 30,768 SMEs and small and micro corporate customers on the chain, representing an increase of 104.6% as compared with the corresponding period of the previous year.

During the Reporting Period, by relying on the "Sparks Plan (螢火計劃)", the Bank propelled the establishment of the sci-tech innovation equity investment fund, opened capital market, connected business resources, provided financial support and cultivated development opportunities for sci-tech innovation enterprises with high growth potential. It also constantly optimised and upgraded the investment and loan linkage business model, and provided comprehensive services of "commercial banking + investment banking". As at the end of the Reporting Period, the accumulated number of contracted customers of the "Sparks Plan" reached 1,973, representing an increase of 703 accounts as compared with the end of the previous year. Meanwhile, Suzhou Sci-tech Innovation Fund (蘇州科創基金) was officially established, and 2 equity investment projects of "Sparks Plan" customers were put into operation.

During the Reporting Period, the Bank took the "dedicated, refined, distinctive and innovative" customer groups of the Beijing Stock Exchange as the starting point of serving small and medium-sized sci-tech innovation enterprises, practising differentiated operation and developing the foundation of featured services for SMEs. It rapidly and solidly promoted the development, expansion and operation of customer groups, comprehensively tapped into the financial demands of dedicated, refined, distinctive and innovative enterprises, pinpointed the difficulties, choke points and pain spots of SMEs in development and prosperity, and formulated professional and targeted financial service solutions, including capital financing (debt financing and equity financing), intelligence (strategy consulting and operation improvement) and technology (technology empowerment and upgrading). Meanwhile, the Bank innovatively launched four exclusive "Minsheng Easy Innovation (民生易創)" product packages that included "Easy Finance Express, Easy Investment Express, Innovation Intelligence Express and Innovation Fortune Express (易融通、易投通、創慧通、創富通)", and integrated a number of financial products that corresponded to customers' innovation and growth attributes, such as standardised special credit product of "Easy Innovation Loan (易創貸)", subscription right financing, M&A loan, direct equity investment, PE loan, employee equity incentives, private placement investment and convertible bond investment, etc. These products covered the full cycle, entire scenario and entire ecosystem of enterprise growth. As at the end of the Reporting Period, among 5,658 target customers of the Bank mainly including the "dedicated, refined, distinctive and innovative" little giant enterprises accredited by the Ministry of Industry and Information Technology, companies listed on the Beijing Stock Exchange, and NEED (Innovation) listed companies, the Bank completed the marketing of 2,586 customers, with 45.71% of overall marketing reach rate. 1,374 customers opened accounts in cumulative terms, with an account opening rate of 24.28%.

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3. Continuing to promote product system innovation and improving the professional capabilities of serving customers

The product and service system of transaction banking improved constantly. During the Reporting Period, the Bank continued to consolidate the basic settlement business, vigorously promoted interbank cash management, continuously enriched tender, payroll agency, supervision of payment of migrant workers and other settlement scenarios, innovatively launched intelligent notice deposit, and constantly optimised overdraft of corporate account and other product functions. The annual daily average deposits under settlement and cash management of the Bank amounted to RMB1,468,120 million, representing an increase of RMB297,725 million, or 25.44%, as compared with the previous year.

During the Reporting Period, the Bank continued to promote the implementation of facilitating measures for international settlement, upgraded and popularised intelligent products, and elevated the customer service capabilities of international business products. By focusing on capital-based projects, the Bank improved foreign currency deposits based on the service and efficiency advantage of foreign exchange policies. As at the end of the Reporting Period, the balance of foreign currency deposits amounted to USD31,964 million, representing an increase of USD3,946 million, or 14.08%, as compared with the end of the previous year.

During the Reporting Period, the Bank constantly optimised the procedures for the letter of guarantee, iterated and upgraded the electronic letters of guarantee, and enhanced the risk prevention and control of letter of guarantee business. The Bank issued a total of 5,357 electronic letters of guarantee, accounting for 46.68% of total letters of guarantee. The business volume amounted to RMB9,379 million, representing an increase of 49.31% as compared with the corresponding period of the previous year. The Bank enriched the varieties of bill products, optimised self-service bank bill discounting products, and realised the online discounting of commercial bills, thus improved customer experience. As at the end of the Reporting Period, the balance of discounted bills of the Bank amounted to RMB280,605 million, representing an increase of RMB52,796 million, or 23.18%, as compared with the end of the previous year.

The customised service capabilities of investment banking improved constantly. During the Reporting Period, the Bank enhanced the application and popularisation of M&A, syndicated loan and other mature products in segmented scenarios, focused on the reform, industry integration, equity holding and capital increase of state-owned enterprises, and other core scenarios, and constantly enriched and improved operation models and mechanisms. As at the end of the Reporting Period, the M&A loans and M&A syndicated loans of the Bank amounted to RMB146,939 million, and loan placement amounted to RMB60,392 million in the year, representing an increase of 45.70% as compared with the previous year. The domestic syndicated loans amounted to RMB87,626 million, and loan placement amounted to RMB35,002 million in the year, representing an increase of 125.05% as compared with the previous year. During the Reporting Period, the Bank underwrote various bonds with a size of RMB317,625 million, including RMB296,070 million underwritten and issued at the interbank bond market.

(II) Retail banking business

During the Reporting Period, the Bank unswervingly took retail as a prioritised long-term and fundamental strategic business. Focusing on the five-year development plan, the Bank continued to intensify its market competitive advantages in retail business by pursuing the five core strategies of seeking for more businesses with segmented customer groups, enriching product and service systems, leveraging technology to empower digital transformation, building robust Head Office capabilities, and strengthening consumer rights protection.

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During the Reporting Period, pretax profit of retail business of the Bank amounted to RMB28,082 million, representing an increase of 28.79% as compared with the corresponding period of the previous year. Operating income from retail business amounted to RMB70,391 million, representing a decrease of 1.04% as compared with corresponding period of the previous year, accounting for 42.52% of the operating income of the Group, representing an increase of 3.39 percentage points as compared with the corresponding period of the previous year (accounted for 44.81% in operating income from corporate and retail business of the Bank, representing an increase of 3.71 percentage points as compared with the corresponding period of the previous year). Of which, net interest income from retail business amounted to RMB54,659 million, representing an increase of 0.27% as compared with the corresponding period of the previous year, accounting for 77.65% of operating income from retail business; net non-interest income from retail business amounted to RMB15,732 million, representing a decrease of 5.35% as compared with the corresponding period of the previous year, accounting for 22.35% of operating income of retail business and 42.06% of net non-interest income of the Bank. During the Reporting Period, fee and commission income from retail wealth management of the Bank amounted to RMB6,838 million, representing an increase of 9.27% as compared with corresponding period of the previous year, accounting for 43.42% of net non-interest income of retail business. Of which, income from agency sales of funds amounted to RMB2,225 million; income from the agency sales of insurance amounted to RMB928 million, and income from the agency sales of wealth management amounted to RMB3,621 million. Fee income from retail bank card amounted to RMB10,592 million, representing an increase of 0.83% as compared with the corresponding period of the previous year.

Retail customers and AUM

As at the end of the Reporting Period, the number of retail customers of the Bank[5] was 110,137.8 thousand, representing an increase of 5.41% as compared with the end of the previous year. Of which, the number of effective and above retail customers was 4,689.8 thousand, representing an increase of 410.3 thousand as compared with the end of the previous year. The number of new effective customers throughout the year was 413.2 thousand with an effectiveness ratio of 9.30%, representing an increase of 3.85 percentage points as compared with the corresponding period of the previous year. New customers delivered RMB128,946 million in new AUM, representing an increase of 18.80%, accounting for 54.51% of AUM increment throughout the year.

The number of high-rating retail customers was 2,425.9 thousand, representing an increase of 199.0 thousand as compared with the end of the previous year. Of which, the retention rate of existing high-rating customers was 77.59%. The number of VIP customers was 3,445.7 thousand, representing an increase of 324.9 thousand as compared with the end of the previous year. The number of retail loan customers was 2,708.8 thousand, representing an increase of 325.1 thousand as compared with the end of the previous year.

The number of eligible private banking customers reached 38,545, representing an increase of 4,803, or 14.23%, as compared with the end of the previous year. The financial assets under management of eligible private banking customers amounted to RMB532,168 million, representing an increase of RMB56,419 million, or 11.86%, as compared with the end of the previous year.

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[5] Number of retail customers refers to individual customers (including class I, II, and III accounts), customers who only hold credit cards, and small and micro legal person customers with normal customer status.

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Total number of credit cards issued by the Bank amounted to 64,268.8 thousand, representing an increase of 4.21% as compared with the end of the previous year. The number of credit card customers was 44,878.9 thousand, representing an increase of 4.13% as compared with the end of the previous year. The number of customers holding both credit cards and debit cards was 18,751.8 thousand.

As at the end of the Reporting Period, total assets of retail customers managed by the Bank[6] amounted to RMB2,092,660 million, representing an increase of 12.89% as compared with the end of the previous year. Of which, the financial assets of Gold customers and customers of higher levels amounted to RMB1,719,802 million, representing an increase of 13.97% as compared with the end of the previous year, accounting for 82.18% of total assets of retail customers managed by the Bank. Retail savings deposits amounted to RMB808,744 million, representing an increase of RMB64,623 million, or 8.68%, as compared with the end of the previous year. Of which, structured deposits amounted to RMB18,285 million, representing a decrease of RMB24,763 million as compared with the end of the previous year, indicating a healthier deposit structure.

Financial assets of small business of the Bank amounted to RMB498,455 million, representing an increase of RMB87,826 million as compared with the end of the previous year, of which, personal deposits of small business customers amounted to RMB199,824 million, representing an increase of RMB24,346 million as compared with the end of the previous year.

The retail wealth management products amounted to RMB937,263 million, representing an increase of 17.53% as compared with the end of the previous year. The sales of personal wealth management products amounted to RMB3,308,645 million, representing a decrease of 5.95% as compared with corresponding period of the previous year. During the Reporting Period, the agency sales of non-monetary public funds amounted to RMB156,656 million, representing an increase of 6.11% as compared with the corresponding period of the previous year; the premium of insurance agency amounted to RMB14,036 million, representing a decrease of 27.51% as compared with the corresponding period of the previous year.

Retail loans and quality

As at the end of the Reporting Period, the total of retail loans and credit card overdraft business of the Bank amounted to RMB1,747,957 million, representing an increase of RMB155,765 million as compared with the end of the previous year, accounting for 43.45% of total loans of the Bank, which represented an increase of 1.91 percentage points as compared with the end of the previous year.

Small business loans amounted to RMB600,750 million, representing an increase of RMB76,965 million, or 14.69%, as compared with the end of the previous year. Of which, small and micro legal person loans amounted to RMB36,968 million, representing an increase of RMB12,615 million as compared with the end of the previous year; small and micro personal loans amounted to RMB563,781 million, representing an increase of RMB64,350 million as compared with the end of the previous year. Inclusive small business loans[7] amounted to RMB504,815 million, representing an increase of RMB56,461 million as compared with the end of the previous year.

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[6] The statistical information on total assets of retail customers managed by the Bank added in thirdparty guarantee money for deposits and family trust products held by retail customers of the Bank; the statistical information on insurance products was adjusted at the same time and updates were made after verification with the balance of the system of the company accepting insurance.

[7] The statistical information on inclusive small business loans excluded discount and rediscount business.

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The balance of credit card loans amounted to RMB472,077 million, representing an increase of RMB9,768 million as compared with the end of the previous year; the transaction amount reached RMB2,605,439 million, representing an increase of 0.27% as compared with the corresponding period of the previous year. The number of transactions was 1,587 million, representing an increase of 12.30% as compared with corresponding period of the previous year. The balance of mortgage loans amounted to RMB592,191 million, representing an increase of RMB80,617 million, or 15.76%, as compared with the end of the previous year. The balance of non-mortgage consumer loans amounted to RMB94,840 million.

Leveraging big data and online-based technologies, the Bank designed and developed "Agricultural Loan Express (農貸通)", a credit loan product dedicated to farmers, so as to intensify integrated development of inclusive finance and rural revitalisation. As at the end of the Reporting Period, the balance of "Agricultural Loan Express (農貸通)" amounted to RMB237 million. The Bank sped up promotion of the online operation mode of "Photovoltaic Loan (光伏貸)", providing farmers engaged in distributed photovoltaic across China with easy access to convenient and efficient inclusive financial services.

The Bank optimised and upgraded key products such as the Car Car Card (車車卡) and the Lady Flower Card (女人花卡), issued the Visa Olympic Card, sports-themed cards, expanded the cards for the youngsters and culture-themed cards, and strove to build star products by focusing on target groups. The Bank issued Minsheng Yangtze River Delta Exclusive UnionPay Digital Credit Card (民生長三角暢卡銀聯無界信用卡), in a bid to explore more targeted, more distinctive regional services. In addition, in its drive to build preferential scenarios, the Bank developed 200 preferential business circles in 105 cities nationwide, thereby expanding brand influence and effectively developing and maintaining quality customer groups in those territories.

Focusing on quality key customer groups, the Bank optimised the structure to promote consumer finance transformation. It optimised mortgage limit management by addressing support to strategic real estate enterprises, to promote sound development of mortgage business. Regarding non-mortgage consumer loans business, the Bank sought to acquire customers from quality entities in batches. Through data and technical innovation and marketing model transformation, the Bank realised active credit granting and precise marketing of existing customers. 83 thousand employees from quality enterprises received marketing through non-mortgage consumer loans. In addition, the Bank optimised the process of application channel via mobile banking to comprehensively enhance customer experiences. It accelerated the innovation in consumer finance business in ecosystem-based scenarios and strove to make breakthroughs in layout.

During the Reporting Period, the quality of retail assets exhibited an ongoing trend of soundness and stability. As at the end of the Reporting Period, non-performing retail (credit card inclusive) loans[8] amounted to RMB28,671 million, representing a decrease of RMB2,694 million as compared with the end of the previous year. The ratio of retail NPLs was 1.65%, representing a decrease of 0.31 percentage points as compared with the end of the previous year. Special-mentioned retail (credit card inclusive) loans[9] amounted to RMB18,183 million and the ratio of special-mentioned loans was 1.04%, representing a decrease of 0.33 percentage points as compared with the end of the previous year. During the Reporting Period, secured loans accounted for up to 68.66% in the new retail NPLs (excluding credit card), and the balance of the aforesaid secured loans amounted to RMB5,268 million as at the end of the Reporting Period.

[8-9] The non-performing retail (credit card inclusive) loans, special-mentioned retail (credit card inclusive) loans and NPL ratio of small business loans were all information of the Group. The small and micro legal person loans are excluded.

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The NPL ratio of small business loans[10] was 2.13%, representing a significant decrease of 0.69 percentage points as compared with the end of the previous year. The NPL ratio of newly released small business loans of the Bank since 2021 was 0.20%, indicating a significant rise in the quality of the customer group of new business. The NPL ratio of inclusive small business loans was 2.29%, representing a decrease of 0.80 percentage points as compared with the end of the previous year.

As at the end of the Reporting Period, NPLs of credit card business amounted to RMB13,924 million, representing a decrease of RMB1,256 million as compared with the end of the previous year; the NPL ratio of credit card business was 2.95%, representing a decrease of 0.33 percentage points as compared with the end of the previous year. Special-mentioned loans amounted to RMB9,063 million, representing a decrease of RMB3,948 million as compared with the end of the previous year; the ratio of special-mentioned loans was 1.92%, representing a decrease of 0.89 percentage points as compared with the end of the previous year. Both NPLs and special-mentioned loans saw declines in amount and ratio.

The ratio of non-performing mortgage loans of the Bank was 0.26%, representing an increase of 0.04 percentage points as compared with the end of the previous year. The ratio of non-performing non-mortgage consumer loans was 0.94%, representing an increase of 0.35 percentage points as compared with the end of the previous year. The NPL ratio of Easy Loan, a new consumer finance product, in non-mortgage consumer loans was 0.46%, representing a decrease of 0.37 percentage points as compared with the end of the previous year.

Development and operation of customer groups

In terms of operation, the Bank continued to return to basic customer groups and basic businesses, reshaping the standard operational journey integrating customer acquisition, activation, promotion, retention, and recommendation. It built a "100-day" operational period for new customers and gradually realised the journey-based customer operation following the three steps of facilitating customer activity, improvement and conversion.

During the Reporting Period, among the 4,443.1 thousand new retail individual customers (excluding pure credit card customers), the boarding ratio was 18.83% and the eligibility ratio at effective and above levels was 12.28%. The Bank issued supporting themed debit cards focusing on salary, merchants, the elderly, quasi pension, women, sports, and other segmented customer groups for deep-going operation. The Bank rolled out distinctive pension annuity and fixed-amount lifelong life insurance products, introduced the "Happy Calculation (悦想算算)", a marketing tool for asset planning after retirement, and designed asset allocation plans based on pension gaps. During the Reporting Period, the elderly customer group increased by 1,190.3 thousand accounts. The Bank launched innovative incubation of ecological construction for distinctive sports scenarios and conducted operation of online private traffic, and explored distinctive customer group operation model featuring introducing new customers and converting users in batches.

[10] The non-performing retail (credit card inclusive) loans, special-mentioned retail (credit card inclusive) loans and NPL ratio of small business loans were all information of the Group. The small and micro legal person loans are excluded.

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The Bank strengthened integrated synergy and advanced coordination among customer groups and product lines within the Bank. Specifically, payroll agency business acquired 1.02 million new customers and the number of new payroll agency enterprises reached 15.5 thousand, representing an increase of 24.92%. The Bank optimised the system function and conversion efficiency of "offering debit card to credit card users (貸發借)" and "offering credit card to debit card users (借發貸)" and upgraded the joint issuance model for applying, making, and mailing both debit cards and credit cards, in a bid to press ahead with comprehensive development of retail customers. As at the end of the Reporting Period, the cumulative number of customers holding both credit cards and debit cards reached 18,751.8 thousand, accounting for 58.10% of total customers holding bank cards (debit card, credit card, or both) of the Bank, representing an increase of 0.74 percentage points as compared with the end of the previous year.

The Bank built a payroll agency platform for the sharing economy sector to establish a comprehensive service platform for enterprises that integrates payroll agency, human resources management, taxation, welfare, and reimbursement. Targeting the flexible employment groups of the sharing economy sector, the Bank introduced a complete package of financial service solutions aimed at addressing legality and compliance pain points in granting performance pay and the corporate demands for reducing costs and increasing efficiency. It carried out 10 large and medium-sized cooperative projects, providing distinctive services under segmented scenarios.

The Bank pushed forward the transformation in the operational model of the private banking and wealth management customer groups to establish a differentiated, tiered service system, connect the advancement path for private banking and wealth management customer groups, and to accelerate the increase in both number and quality of core customer groups. Regarding the wealth management customer group, the Bank constantly deepened customer operation by building models of standardised product allocation and standardised customer services and by reaching customers with both online & offline approaches. Regarding the private banking customer group, the Bank connected the product shelves of wealth management and private banking, integrated rare resources of the Bank to customise competitive products, upgraded the family trust business system, and offered differentiated non-financial benefits, in an effort to enhance customer experiences. Regarding the ultra-high net worth customer group, the Bank implemented the coordinated corporate-personal service mechanism to build a service system dedicated to the entrepreneur customer group. The Bank comprehensively deepened the import of the wealth management innovation 3.0 project, articulated the central positioning for private banking, and optimised the management and cultivation mechanisms for the wealth management team.

The Bank iterated the customer growth system under the credit card all stars plan (信用卡全民星計劃) to facilitate the expansion of growth customers and star-level customers[11]. As at the end of the Reporting Period, the size of star-level credit card customers reached 18,303.4 thousand, the 30-day active ratio exceeded the average of all active customers by 31 percentage points, and the net earnings per account were 7.74 times of that of the average of all active customers.

[11] A star-level customer refers to a premium customer who meets certain standards within the customer value system.

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The Bank streamlined and optimised the operational strategy for credit card customers throughout their life cycles. During the year, customers with stable consumption[12] accounted for 87.73% of total new customers, representing an increase of 2.41 percentage points as compared with the corresponding period of the previous year. In addition, the Bank upgraded the advance management of customer churn and launched the operational mode of early-warning for customer churn, to encourage customers to use their cards, and to further awaken existing sleeping customers and reduce churns of active customers. As at the end of the Reporting Period, the success ratio of retrieving valued credit card customers from closing account increased by 6.34 percentage points as compared with the end of the previous year.

Products, services and channel construction

Seeking for more business in segmented areas and building sound and new brands for private banking and wealth management

The Bank strove to build a product shelf for private banking and wealth management products featuring complete categories, outstanding quality, matched with customer groups, and distinctive brand. Driven by investment research, the Bank selected premium investment opportunities for customers and allocated assets in a differentiated manner in accordance with the distinctive demands of different customer groups. The Bank made a strong push for both public funds and net worth wealth management, so as to consolidate the foundation for asset allocation for private banking and wealth management customer groups.

The Bank built its competitive advantages in public funds by taking "Minsheng Bedrock (民生磐石)" and "FOF Series" as the basis and "Minsheng Wisdom (民生智遠)" as the new main products. As at the end of the Reporting Period, the size of existing public funds amounted to RMB171,987 million, representing an increase of 40.58% as compared with the end of the previous year.

Adopting the model of "professional and strict selection and exclusive and tailor-made solution (專業嚴選、獨家定制)", the "Minsheng Bedrock (民生磐石)" series selected the most prominent "fixed-income+" products customised by fund managers of various institutions and constantly optimised investment experiences for customers through the online after-sales accompanying zone. As at the end of the Reporting Period, the size of existing "Minsheng Bedrock (民生磐石)" products amounted to RMB64,540 million, representing an increase of 145.63% as compared with the end of the previous year, and serving more than 290 thousand customers. Public FOF series continued to consolidate market advantages. Under the condition of high volatility and high differentiation on the capital market during the Reporting Period, this series effectively leveraged its advantage of balancing yields and smoothing out volatility, providing customers with "one-stop solutions" for fund allocation. The size of existing FOFs reached RMB48,928 million, representing an increase of 108.18% as compared with the end of the previous year.

[12] Customers with stable consumption refer to the Millennial Generation, female and highly educated target customer groups.

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The Bank launched the all-new "Minsheng Wisdom (民生智遠)" series products, embraced the philosophy of long-term investment, and selected market leading managers to customise three-year term products. The Bank focused on equity-based, quantitative, and structured private asset management products and proactively explored customised issuance, in a bid to meet the diversified investment demands of customers.

Regarding insurance business, the Bank continued to penetrate into regular premium insurance and consolidate the advantages of long-term value, providing customers with risk guarantee throughout their life cycles. Among them, the size of 10-year and longer regular premium products accounted for 59.43%. In addition, the Bank further promoted insurance trust and family trust, in an effort to meet the demands of high net worth customers for wealth inheritance.

Accelerating the construction of basic product service system and enhancing the competitiveness of retail basic products

In response to the national call to financially support the construction of the Guangdong-Hong Kong-Macau Greater Bay Area, the Bank built the platform and service system for the "Cross-Border Wealth Management Connect". As one of the first batch of pilot banks that can develop business of "Cross-Border Wealth Management Connect", the Bank officially launched customer services on 19 October 2021. As at the end of the Reporting Period, the amount of cross-border fund transfers handled by the "Cross-Border Wealth Management Connect" of the Bank took a market share of 23.49%. The Bank optimised and enhanced retail basic products. It built the electronic social security card platform, realised match-making and transfer of IBNCD, upgraded the third-party depository system, expanded channels for purchasing government bonds, and optimised reminders on redemption upon maturity.

The Bank continued to integrate innovative payment scenarios. The Bank worked with UnionPay Quick Pass (銀聯雲閃付) to explore cooperation in credit card innovation under the four-party model for internet payment. Based on the platform-based capabilities of Quick Pass and aiming to lift barriers to payment services, the two sides jointly developed and launched a more standardised, unified, and convenient mobile payment product, and put online the Daily Life App (Quick Pass experience version) (全民生活APP雲閃付體驗版), sharing resources of over 30 million merchants and providing over 1,000 mobile payment service scenarios, thereby enhancing the overall financial service level.

The Bank focused on the development of settlement scenarios. The Bank expanded cooperation with the operation platforms of small and micro merchants, the applications of settlement products in various industries and the cooperation on three-party acquiring. It registered more than 220 thousand new customers in the small and micro settlement customer group by virtue of basic account and payment services.

The Bank continued to enrich and optimise the payment system and worked with leading e-commerce platforms and third-party payment institutions to conduct credit card marketing activities to promote card use. The Bank motivated customers to actively bind their cards and continuously use them by offering such incentives as double gift packages for week-by-week credit card use, personalised gifts for month-by-month credit card use, consumer vouchers, and lucky draws for RMB10 thousand red envelopes. Additionally, the Bank partnered with credit card organisations to expand and improve mobile payment scenarios by launching a wide range of activities including discounts for credit card use at UnionPay-supportive shopping malls and supermarkets, discounts for use of JCB double standard credit card at Fresh Hema (盒馬鮮生), and discounts for use of Visa and MasterCard credit card at overseas e-commerce platforms, thereby boosting

the enthusiasm of credit card holders in shopping with credit card payment. As at the end of the Reporting Period, the size of credit card electronic payment business[13] amounted to RMB502,802 million, representing an increase of 32.09% as compared with the corresponding period of the previous year; the number of transactions was 1,248 million, representing an increase of 28.09% as compared with the corresponding period of the previous year.

The Bank launched App services dedicated to small business customers, provided the "five-in-one" convenient mobile services including one-stop login for "small and micro enterprises+self-employed households", one-stop services of "financing+settlement+wealth management", "online+offline" one-stop connection, one-stop upgrading of "enterprise benefits+family privileges", and one-stop integration of "scenario switching+customer journey". The Bank proactively cooperated with various governments, platforms, and leading data companies in a bid to continuously expand data sources and diversify credit loan service support.

The Bank built an industry-competitive customer benefit system covering all customer groups. The Bank developed the shelf of financial and non-financial benefit products with matched financial assets and benefits levels, and rewarded customers with prime benefit services and experiences, in order to enhance comprehensive contributions and loyalty of customers. As at the end of the Reporting Period, the Bank completed the launch and promotion of Apex Privileges (非凡禮遇) (17 benefits), V+members, customer behavioural incentives, debit card rewards points shopping mall, and benefit marketing activities. Consisting of for aspects of "Apex Travel (非凡出行)", "Apex Health Care (非凡康養)", "Apex Sports (非凡運動)" and "Apex Life (非凡生活)", the brand new VIP benefit system of "Apex Privileges" delivered differentiated services to segmented customer groups at all levels, provided high net worth customers with rare channel resources in the market, and established a comprehensive service system for the entrepreneur customer group based on the overall strategic platform of the Bank.

Strengthening technology empowerment to enhance customer experiences

The Bank optimised the business process for personal account services. The service efficiency of card-opening and contracting for individuals increased by 40%; the net promoter score of card-opening and contracting business process increased by 11.5 percentage points; and the card-opening and contracting rate of basic products was maintained at 70%. As a result, both customer experience and customer stickiness of personal accounts were improved. The Bank further promoted "Minsheng Cloud – Agency Book Keeping" and launched over 10 leading SaaS book keeping platforms, in an effort to empower digital transformation of the agency book keeping sector. The Bank strengthened the construction of customer experience monitoring system, expanded the monitoring coverage by incorporating 14 new business processes of individual customers into the monitoring scope, and the business processes under monitoring reached 31. Moreover, the Bank optimised the evaluation mechanism of some service channels from T+1 to T+0, enhancing its digital management capabilities of customer experiences.

[13] Electronic payments include fast payments, mobile payments, Daily Life App payments, and gateway payments.

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Accelerating transformation and enhancement of business outlets

The Bank enhanced comprehensive service experience at lobbies and business outlets, upgraded the lobby integration model and completed the transfer of operation management, personnel management and risk management functions at all lobbies of the Bank from the operational line to the retail line, thereby forming an integrated pattern of customer group operation and management at lobbies. Targeting three key business segments, the Bank designed over 40 indicators across six dimensions, including size and efficiency, to build efficiency evaluation system for business outlets, in an aim to enhance the roles of process management and control and efficiency assessment in facilitating the achievement of outcome indicators, and improve efficiency and capacity structure of business outlets through process monitoring and supervision. As at the end of the Reporting Period, the balance of financial assets of the community finance segment of the Bank increased by RMB53,706 million, or 17.06%, as compared with the end of the previous year. The balance of savings deposits amounted to RMB126,191 million, representing an increase of RMB12,015 million, or 10.52%, as compared with the end of the previous year. The number of effective and above customers was 962.8 thousand, representing an increase of 86.3 thousand, or 9.85%, as compared with the end of the previous year.

Physical distribution channels

The Bank has established an effective domestic distribution network that covered all provinces in the Chinese mainland with focus on the Yangtze River Delta, Pearl River Delta, Bohai Economic Rim and other regions. As at the end of the Reporting Period, the sales network of the Bank covered 132 cities in the Chinese mainland, including 140 branch-level institutions (including 41 tier-one branches, 90 tier-two branches and nine remote sub-branches), 1,193 business outlets of sub-branches (including business departments), 1,078 community sub-branches, and 136 small business sub-branches.

(III) Treasury business

In 2021, the Bank adhered to the "customer-centric" business philosophy in operating financial institutions business and financial markets business, implemented the transformation objectives of "new philosophy, new positioning, and new methods", consolidated the positioning as a financial markets product platform serving bank-wide customer groups, and worked to build sustainable methods returning to the original service purpose and conforming to trends of sustainable development.

1. Constantly advancing operation of financial institution customer groups

During the Reporting Period, the Bank developed financial institution customer groups in a standardised, orderly, and deep-going manner, around the idea of "comprehensive operation of financial institution customer groups". Firstly, the Bank intensified the team marketing capabilities of both the Head Office and branches, providing financial institution customer groups with comprehensive financial services across all its products including financing service, investment transaction, agency sales, and personal wealth management. Secondly, the Bank reinforced the risk management capabilities for financial institution customer groups. Taking the opportunity of the bank-wide reform of the system of "the main accountable person for operation", it preceded risk management for financial institution customer groups, and articulated the responsibilities and processes for risk management. Thirdly, the Bank enhanced the technology empowerment of marketing of financial institution customer groups by officially launching the E-Interbank+

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Platform V2.0 (同業e+平台2.0版), providing financial institution customers with more professional digital marketing, investment transaction services. As at the end of the Reporting Period, the E-Interbank+ Platform recorded 1,129 contracted institutions and 2,300 registered users. During the Reporting Period, the volume of online treasury business transaction on the platform amounted to RMB941,677 million.

2. Coordinated operation of financial markets products

(1) Asset and liability of financial institutions business

Focusing on customer needs and taking market-oriented approaches, the Bank constantly optimised the structure of assets of financial institutions business, increased the stability while reducing the cost of liabilities of financial institutions business, thereby achieving steady development of assets and liabilities of financial institutions business. As at the end of the Reporting Period, the assets of financial institutions business of the Bank amounted to RMB266,169 million, representing a decrease of 13.00% as compared with the end of the previous year; and the liabilities of financial institutions business (including IBNCD) amounted to RMB1,808,883 million, representing a decrease of 1.67% as compared with the end of the previous year. During the Reporting Period, 405 tranches of IBNCD were issued, with the cumulative issuance size amounting to RMB716,820 million. As at the end of the Reporting Period, the IBNCD issued by the Bank amounted to RMB497,558 million, representing a decrease of 30.31% as compared with the end of the previous year; and the balance of demand deposits of financial institutions business amounted to RMB349,599 million, representing an increase of 12.57% as compared with the end of the previous year.

During the Reporting Period, the size of liabilities of financial institutions business of the Bank stayed stable. Due to market reasons, in terms of structure, IBNCD decreased in proportion from 38.81% to 27.51%. Moving in lockstep with the market, the Bank took the favourable timing at the end of the year and expanded the issuance size of IBNCD, which played a positive role in adjusting the structure of liabilities of financial institutions business and controlling the costs at a reasonable level.

(2) Financial markets business

In terms of fixed-income business, to regulate and strengthen bond-related business, increase comprehensive efficiency, and effectively prevent risks, the Bank firmly deepened the reform on its bond investment business. By building a market-oriented and professional fixed-income service platform, the Bank has created an integrated Minsheng fixed-income brand covering investment, trading, sales, agency, among other businesses. The Bank continued to improve investment transaction capabilities, strove to meet the demands of customer groups, increased asset liquidity, and boosted investment profitability. As at the end of the Reporting Period, the bond assets of the Bank amounted to RMB1.90 trillion, including RMB1.80 trillion RMB-denominated assets and USD14,522 million assets denominated in foreign currencies. During the Reporting Period, the bond sales of the Bank on the primary market amounted to RMB455,001 million.

In terms of foreign exchange business, to advocate the idea of exchange rate risk neutral for customers, the Bank proactively guided corporate customers to take hedging and value preservation as the core objectives for exchange rate risk management. By strengthening the development of foreign exchange risk hedging products, the Bank provided corporate customers with a richer set of foreign exchange risk hedging tools; by optimising the foreign exchange agency business system, the Bank kept increasing the efficiency of services to corporate customers in foreign exchange risk hedging. In addition, the Bank continued to improve its pricing and market-making capabilities for domestic foreign exchange derivatives.

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During the Reporting Period, the transaction volume of forward settlement and sale of foreign currencies and RMB foreign exchange swap in the interbank foreign exchange market amounted to USD1,297,989 million, representing an increase of USD362,504 million, or 38.75%, as compared with the corresponding period of the previous year; the transaction volume of RMB foreign exchange option trading amounted to USD182,442 million, representing an increase of USD82,475 million, or 82.50%, as compared with the corresponding period of the previous year.

In terms of precious metals business, the Bank adhered to the customer-centric philosophy and actively enhanced customer experiences. It has built and updated the "Minsheng Gold Bank", which offered online & offline gold products and services and served as an integrated service platform encompassing "physical gold, stocking, investment, trading, wealth management, and financing". During the Reporting Period, the price matching trading volume of gold (including proprietary and agency business) under the precious metals business of the Bank totaled 549.31 tons, with the trading amount reaching RMB206,422 million. The price asking trading volume of gold totaled 782.25 tons, with the trading amount reaching RMB292,778 million; and the price matching trading volume of silver (including proprietary and agency business) totaled 7,236.80 tons, with the trading amount reaching RMB38,175 million. The Bank is one of the top 10 interbank traders at Shanghai Gold Exchange, one of the most active proprietary traders in Shanghai Futures Exchange and one of the most important gold importers in China.

In terms of structured deposits, the Bank continued to improve its product system, providing over 40 available products with terms ranging from seven days to three years. Actively responding to the call of green finance, the Bank established the "Minsheng Bank ESG" series of indices and successfully sold China's first structured deposit product tied to ESG-themed indices In the meantime, the Bank reduced the liability costs of structured deposits. During the Reporting Period, all the structured deposit products launched met the requirements for the self-discipline mechanism for deposit interest rate, which promoted the long-term, steady, and healthy development of the structured deposit business.

(3) Asset custody business

Adhering to the "customer-centric" service philosophy, the Bank implemented the idea of "trade-off for high-quality development" for the custody business by actively adjusting business structure to focus on long-term, high-yielding custody products, and gradually shifted to publicly offered funds, insurance funds, net-worth wealth management and others. As at the end of the Reporting Period, the size of key products amounted to RMB2.54 trillion. Firstly, the Bank actively made a marketing push for publicly offered funds, leading to the successful introduction of innovative products such as cross-market ETF funds and internet publicly offered funds. As at the end of the Reporting Period, the size of publicly offered funds under custody amounted to RMB1.12 trillion, representing an increase of RMB346,435 million, or 44.95%, as compared with the end of the previous year, taking a leading position in the industry. During the Reporting Period, the Bank registered RMB709 million income from custody of publicly offered funds, representing an increase of RMB233 million, or 45.82%, as compared with the corresponding period of the previous year. Secondly, the Bank accelerated the marketing of custody of wealth management products and insurance funds of urban and rural commercial banks and launched net-worth wealth management products of 20 banks. Thirdly, the number of customers with insurance funds under full custody was 29, representing an increase of 26.09%. As at the end of the Reporting Period, the custody size of the Bank amounted to RMB11.09 trillion, and the custody business delivered a comprehensive profit of RMB5,763 million.

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In terms of pension business, the Bank highly valued the development of pension business including corporate annuity and occupational annuity in accordance with the strategic layout of the national pension system. The Bank passed the qualification renewal review and the on-site inspections by the Ministry of Human Resources and Social Security and renewed its qualifications as a corporate annuity account manager and corporate annuity custodian. The Bank continued to enhance its duty performance capabilities for annuity business, and provided enterprises and public institutions as well as individual customers with quality pension management services. As at the end of the Reporting Period, the size of corporate annuity under custody of the Bank amounted to RMB45,546 million, and the number of personal accounts under corporate annuity account management business reached 156.8 thousand.

(4) Asset management business

As at the end of the Reporting Period, the existing size of wealth management products of the Bank amounted to RMB1,012,833 million, representing an increase of RMB151,701 million, or 17.62%, as compared with the end of the previous year. Specifically, the size of net-worth products amounted to RMB982,389 million, representing an increase of RMB453,815 million, or 85.86%, as compared with the end of the previous year. The proportion of net-worth products reached 96.99%, taking the lead among joint-stock banks. The Bank constantly optimised the layout of net-worth products and diversified their portfolio, which covered all mainstream products, with the sophistication of product types on par with that of industry leaders. In terms of the size and proportion of "fixed-income+" products, the Bank ranked among the top joint-stock banks, achieved steady returns and has established significant brand features. During the Reporting Period, the Bank continued to strengthen investment research capacity building to effectively control investment risk, and significantly enhanced the performance and stability of wealth management products. In the "Second Wealth Management Golden Bull Awards Ceremony for the Banking Industry of China (第二屆中國銀行業理財金牛獎頒獎典禮)" sponsored by China Securities Journal, the Bank was awarded "Wealth Management Bank Golden Bull Award (理財銀行金牛獎)"; and its Hui Ying Tian Li 1-Year Regular Opening Product No. 10 (慧贏添利一年定開產品10號) was awarded "Banking Wealth Management Product Golden Bull Award (銀行理財產品金牛獎)".

During the Reporting Period, the Bank strictly carried out the plan for rectification of existing wealth management products, successfully achieved the objectives set out in the rectification plan for the transitional period, completed the implementation of the new accounting standards (I9) for wealth management products, strictly classified the risks as required by the Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments《企業會計準則第22號－金融工具確認和計量》issued by the Ministry of Finance, and made allowances for estimated impairment losses.

On 9 December 2020, the Bank obtained the reply from the CBIRC on approving the preparation and establishment of CMBC Wealth Management Co., Ltd. (民生理財有限責任公司). As at the end of the Reporting Period, the preparatory work was accomplished. The Bank is actively pushing ahead with the submission of application documents to the CBIRC for the business opening of the wealth management subsidiary.

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(IV) Institutional business

The institutional business of the Bank is committed to providing all-round financial services for government and public institutions at all levels, deeply participating in the implementation process of economic and social development strategies of central and local governments, continuing to expand institutional customer groups via diversified product support and flexible and efficient technical services, consolidating the foundation of high-quality liability business, and realising deposits stability and increment.

The Bank steadily expanded institutional customer group, and achieved rapid growth in institutional deposits. The Bank formulated classified marketing strategies for customer groups from finance, government, tobacco, education, medical care, culture and tourism, strengthened differentiated services for customers, and continued to expand basic customer group. As at the end of the Reporting Period, the number of institutional customers of the Bank amounted to 28,459, representing an increase of 2,315, or 8.85%, as compared with the end of the previous year. During the Reporting Period, the daily average deposits of institutional customers of the Bank amounted to RMB843,119 million, representing an increase of RMB87,965 million, or 11.65%, as compared with the previous year.

The Bank achieved significant performance in qualification acquisition, and steadily advanced system construction. As at the end of the Reporting Period, the Bank obtained 348 qualifications for business agencies of national treasury at all levels, representing an increase of 13 as compared with the end of the previous year. It also obtained a total of 442 qualifications in terms of government businesses, representing an increase of 10 as compared with the end of the previous year. According to the requirements of the Ministry of Finance for the integrated management of central budget, the Bank proactively advanced the renovation of relevant systems, which passed the acceptance check of the Ministry of Finance and went online successfully during the Reporting Period.

The Bank facilitated strategies of local governments and supported the development of intelligent government administration. As at the end of the Reporting Period, the Bank approved and underwrote local government bonds with an amount of RMB83.9 billion. During the Reporting Period, the Bank fully supported the issuance of local government special bonds, helped the issuance of 574 local government special bond projects cumulatively, and introduced in deposits with an amount of RMB73.1 billion. By participating in the development of system platform projects of customers, the Bank empowered the "intelligent government services" of local governments. During the Reporting Period, the Bank accepted and set up 106 platform projects of all forms of administrative institutions at all levels, representing an increase of 47.22% as compared with the corresponding period of the previous year. The Bank managed and operated 272 platform projects, and the daily average deposits amounted to RMB76,168 million, representing an increase of RMB15,953 million, or 26.49%, as compared with the previous year.

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(V) Accelerated digital finance transformation

Based on the strategic positioning of "an agile and open bank" for the new era, the Bank formulated the Implementation Strategy for the Digital Finance Transformation of China Minsheng Bank《中國民生銀行數字化金融轉型實施策略》, and clearly defined the direction of digital finance transformation throughout the Bank. In order to "develop into an agile and efficient digitalised bank with ultimate experience and value growth", the Bank comprehensively enhanced data capability and technological capability by optimising systems and mechanisms, carried out the construction of "eco-bank and intelligent bank", and advanced digital transformation throughout the Bank. During the Reporting Period, the Bank invested RMB4,507 million in IT, representing an increase of 21.75% as compared with the corresponding period of the previous year, which accounted for 2.83% of operating income, representing an increase of 0.73 percentage points as compared with the corresponding period of the previous year. As at the end of the Reporting Period, the number of IT personnel of the Bank was 3,062, representing an increase of 16.65% as compared with the corresponding period of the previous year.

1. The Bank constantly optimised organisational structure and systems and mechanisms

(1) Driven by major ecosystem finance projects, the Bank established agile organisation and mechanism for digital transformation

The Bank established the tier-one department of Digital Finance Innovation Department at the Head Office for the incubation of strategic, cross-segment and cross-region digital ecosystem finance mode and the rapid breakthrough of product research and development, focused on ecosystem creation and scenario application, and made breakthroughs in the first batch of major ecosystem finance projects such as credit enhancement and financing of supply chain data, Minsheng Express Credit, internet ecosystem loans, and ecosystem finance operation platform. **The Bank optimised the incubation process of IT innovation and established green channels for the input of fintech innovation.** Focusing on research on forward-looking application technologies, the Bank provided a full-process and efficient support and guarantee mechanism for IT innovation in terms of technical insight, research, learning, model establishment and continuous iteration.

The Bank set up the tier-one department of Data Management Department at the Head Office to fully assume data management and support responsibility, plan the data strategy of the whole Bank, and promote digital transformation in five major business fields including digital marketing and digital risk control. The Bank consolidated data capacity-building, and optimised seven major platforms such as big data platform, middle-tier data PaaS and AI platform, etc. The Bank comprehensively enhanced four major overall management capabilities including data governance, data services, regulatory reporting and data assets, improved data value chain and sped up the release of data value. The Bank cultivated two major systems, namely data culture and ecosystem, and data products, and further optimised service mechanism and deepened data and business integration.

(2) The Bank enhanced the introduction of external talents and the cultivation of internal talents, and enhanced the development of digital finance team

The Bank introduced digital finance talents of business, risk, data, IT and other fields on a large scale, proactively introduced in talents of high-end leading technologies, and strengthened campus recruitment and public recruitment, so as to enlarge the team of IT talents. **The Bank put in place the channel for the development of fintech talents,** and the IT Department of the Head Office took

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the initiative in completing the reforms and implementations of professional job sequence and position pricing-based remuneration, and reshaped the selection and incentive mode of IT talents. **The Bank established the duplex innovation and development mechanism of IT and business,** and established IT demand and data application teams within business lines. **The Bank cultivated composite talents of "IT + finance",** established the IT talents cultivation system, carried out fintech series, digital finance pioneers and other talent cultivation projects, and organised programming competitions, modeling competitions, security vulnerability competitions of "capture the flag" and other series of knowledge competitions. **The Bank cultivated the data-driven, technology-empowered, agile and efficient digital culture,** remained customer first, sought changes and innovation, carried out IT innovation, and continued to drive innovations in products, services, modes and management.

(3) The Bank established the remote R&D centre, and enlarged the flying geese pattern of IT teams

The Bank established the remote R&D centre, rapidly expanded the team of IT talents, and enhanced R&D and delivery capabilities. The R&D centres in Shenzhen, Chengdu and Xi'an have been put into official operation to agilely support the accommodation of demands of major businesses including overseas new core system, overseas private banking, Cross-Border Wealth Management Connect, digital management of segmented customer groups with regional characteristics, and online stores, thus effectively improving IT delivery efficiency.

2. Driven by IT, the Bank made breakthroughs in "eco-bank"

Centring on the four ecosystem scenarios of corporate supply chain, personal life journey, digital government services and capital transaction of financial institutions", the Bank deeply connected itself with customers and the society, and created the innovative service mode of ecosystems.

(1) Based on the whole supply chains and industry chains, the Bank established the ecosystem of "integrated operation of large, medium, small and micro enterprises"

The Bank established the "financial ecosystem of supply chain", and strove to become ecosystems of each other, and introduce customer flow for each other with strategic customers. Based on the new supply chain platforms, the Bank created the integrated development and approval process of large, medium, small and micro customers, and realised batch customer acquisition and efficient services. The Bank upgraded comprehensive services for accounts of corporate customers, launched "E-Corporate Account-Opening", and provided online services to improve customer experience. During the Reporting Period, the Bank served 653 core enterprises of supply chains and 30,768 enterprises on the chains. The Bank made innovations in "E-series" of financial products of supply chain, and the online products such as "E-Receivables (應收e)", "E-Credit Finance (信融e)", "E-Bills Finance (票融e)" and "E-Procurement (採購e)" covered 80% of operating units. "E-Credit Finance" connected and cooperated with more than 20 external platforms with placement amount of RMB16,608 million, and the financing balance amounted to RMB12,195 million, representing an increase of RMB9,715 million as compared with the end of the previous year. "E-Bills Finance" was placed with an amount of RMB9,961 million, and the financing balance amounted to RMB6,150 million, representing an increase of RMB5,341 million as compared with the end of the previous year. **The Bank created transaction banking services with customised scenarios.** By focusing on interbank cash management, single window, global capital account management, supervision of transaction funds and other scenarios, the Bank optimised "Express, Pool and Earnings (通、聚、盈)" series of settlement and cash management product system, iterated and improved the "cloud platform for financial and capital management of enterprises (企業財資管理雲平台)", and provided enterprises with integrated management services of domestic and overseas funds of their groups.

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(2) Based on personal life journey, the Bank created the ecosystem of "customer acquisition + customer vitalisation + customer retention"

As for "customer acquisition ecosystem", the Bank aligned with leading platforms to expand "financial + non-financial" scenario-based channels, promoted large-scale customer acquisition, released TMALL car maintenance co-branded debit card (天貓養車聯名借記卡) and digital gold card (數字小金卡), and implemented eight regional distinctive projects such as "Yong Benefit Card (甬惠卡)" of Ningbo Branch and "Yue +" card ("悦+"卡) of Guangzhou Branch. **As for "customer vitalisation ecosystem",** the Bank created full scenarios of "clothing, food, housing, transportation, tourism, entertainment and shopping", conducted operation of segmented customer groups with focus on personal life scenarios such as car owners, shopping centres and supermarkets, parent-children services and properties, integrated and optimised the platform of "Minsheng Butler (全民管家)". And it got access to over 1,700 payment items as at the end of the Reporting Period. As for online credit loan business, the Bank made breakthroughs in decoration, automobile consumption and other scenarios, and sped up the development of "Easy Loan (民易貸)", "Express Loan (快易貸)" and other cooperative loan businesses. **As for "customer retention ecosystem",** the Bank established benefit system and customer accompanying system, created full-life cycle customer services, launched basic benefits for distinctive co-branded cards, "Apex" series of VIP benefits, exclusive benefits for small and micro customers, and benefits of rewards point shopping mall of credit card based on the support of benefit platforms. As for wealth management, by combining the research and investment capability and online service capability of external partners, the Bank provided consulting and analysis, investment and education information, market insight and other wealth management services.

(3) Based on digital government services, the Bank established the ecosystem of "intelligent government services + convenient services"

By virtue of the **"intelligent government services ecosystem"**, the Bank carried out cooperation and co-development with governments, enterprises and merchants, introduced social insurance, taxation, industry and commerce, transportation, credit reference and other government services, and achieved the intelligent sharing and precise connection of financial scenarios with government service scenarios. By virtue of **"convenient services ecosystem"**, the Bank focused on community service, elderly service and parent-children services, and gave full play to the "geographical" and "interpersonal" characteristics of community sub-branches to offer "services at the nearest place and online services (就近辦、線上辦)", substantially improving the capacity of serving community residents.

(4) Based on transaction management and resource allocation, the Bank established the ecosystems of "interbank customer group + factor market + custody business"

As for the **"interbank customer group ecosystem"**, the Bank relied on the "E-Interbank+ 2.0" platform to improve the coordination capability of online capital business, and provided integrated and comprehensive financial services including interbank community, comprehensive recommendation and customer group radiation. As for the **"factor market ecosystem"**, the Bank focused on transaction, investment, investment and research, and other fields. Based on the "quantitative transaction platform (量化交易平台)", the Bank enriched and quantified transaction business strategies, provided investment and research, model, backtest, execution, risk control and other supports. The Bank independently built the core system for capital transactions, and improved the capabilities of transaction processing and risk control. As for the **"custody business ecosystem"**, the bank took the third pillar of pension as the breakthrough to create the

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comprehensive service ecosystem of customer groups on the custody business chain and create value for customers, utilised OCR, RPA and big data technology to improve full-process service efficiency, precise risk control and intelligent service capability, thus elevating customer experience.

3. Driven by data, the Bank improved the "intelligent bank"

By focusing on the five aspects of "digital marketing, digital risk control, digital channel, digital operation and digital management", the Bank relied on the dual engines of "IT + data" to drive the intelligent reengineering of financial services and operation management.

(1) The Bank set up the closed loop of "demand insight-strategy matching-evaluation feedback" for the marketing of segmented customer groups, and created digital and intelligent marketing brain

As for data-driven customer demand insight, the Head Office and branch offices jointly built the alliance of retail user tags, improved the user tagging model system, and precisely built the user portraiting systems. During the Reporting Period, the Bank developed 905 user tags, and accumulated the perception of 33 types of real-time events.

As for precise matching with marketing execution strategies, the Bank fully launched the strategy library 1.0, which provided more than 1,300 screening indicators, matched with marketing strategies for products, services, channels and others, in accordance with seven types of key segmented customer groups, realised the full-process management of marketing strategies, and deployed 582 strategies, achieving a strategy execution rate of 76%. The Bank created the intelligent wealth engine, which provided exclusive wealth product marketing for private banking, wealth management and other different customer groups and different life cycles, and optimised capital allocation management. As for "making your dream come true through education (教育、圓夢)" and other scenarios, the Bank provided end-to-end and interactive wealth management services. As for distinctive scenarios, the Bank worked with third-party internet platforms to launch marketing campaigns such as "Minsheng RMB1 Million Subsidies (民生百萬惠生活)", "Minsheng Coupon for Shopping with RMB1 (民生一元購神券包)", "Activation of Inactive Users of Internet Ecosystem (互聯網生態睡眠戶激活)" and others.

As for the iteration of marketing data evaluation strategies, the Bank upgraded the digital marketing management platforms, such as the corporate marketing management system of Stand By Me (伴我行), the retail wealth management marketing system, the E-Interbank Butler system (同業e管家系統) and others, created the "account planning" marketing management system for strategic NSOEs, and realised the real-time customer marketing process monitoring and post-marketing evaluation. The Bank set up cloud platform for marketing to provide efficient support for event planning, event launching and so on, conducted data intelligence-based evaluation of marketing process and effects, established the accumulation and introduction mechanism of high-quality strategies, and elevated the efficiency of marketing activities by four folds.

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(2) The Bank utilised data to empower intelligent "pre-loan prevention + in-loan management + post-loan control", and created the "human intelligence + data intelligence + machine intelligence" risk control system

As for "pre-loan prevention", the Bank built the panoramic view of risks, and enhanced risk status perception and early-warning. **The Bank further enriched the risk information view,** expanded external valid data, and connected with compliance and credit reference institutions and public affairs management organisations authorised by state organs. The Bank put in place the **platform for financial security status perception and threat early warning and analysis**, developed 39 decision-making models, identified 15 business risks including gambling, fraud, credit card fraud and money laundering. During the Reporting Period, the Bank monitored more than 1.1 billion transactions in cumulative terms, covering over 20 million customers. The Bank identified and reported to the regulatory authority 23 gangs in suspicious fraud, money laundering, gambling and others, took timely control measures against relevant accounts according to regulations, and received the Award of "2021 Outstanding Data Contributor of Financial Network Security Status Perception Platform (2021年度金融網絡安全態勢感知平台優秀數據貢獻單位)" by the PBOC. **The Bank strengthened the pre-loan risk control system for credit card**, introduced RAROC measurement factors, enhanced customer value judgment, and rebuilt differentiated access strategies. During the Reporting Period, new accounts of customers with stable consumption accounted for 87.73% at large, representing an increase of 2.41% as compared with the corresponding period of the previous year.

As for "in-loan management", the Bank established the intelligent online credit approval process of "automatic rating + model approval + due diligence portfolio", supported the reform of the credit approval system for corporate customers throughout the Bank, and achieved the one-stop online services of account-opening and credit application. The Bank built more than 30 types of data models covering compliance, scoring, limit and risk pricing, extracted over 3.0 thousand data indicators, prudently and precisely evaluated the credit rating of borrowers, and formulated credit plans. **As for supply chain** data enhancement, the Bank broke the financing bottlenecks of medium, small and micro enterprises on the chains, embedded into the core enterprise platforms of supply chains, and provided full-process online and automatic credit approval. **As for retail business**, the Bank established the retail quality control, monitoring and early-warning system of "Watchtower (望樓)", and achieved offline handling of applications and online automatic approval of credit business under the condition of controllable risks. **As for credit card**, the Bank comprehensively upgraded the in-loan risk monitoring system of "Eagle Eye (鷹眼)", enhanced risk differentiation capability and stability of scoring model, and achieved the automatic handling of risks at the early stage, and the advance handling of regular risks. The Bank provided online intelligent double recording services, and improved the risk compliance control capability and customer service experience.

As for "post-loan control", the Bank established the intelligent post-loan monitoring and handling mechanism, and enhanced the management of fund use. The Bank monitored 364 accounts via the integrated post-loan management system, successively sent over 12 thousand times of deduction and monitoring information, monitored about 7.0 thousand accounts with newly-increased fund flow, involving an amount of over RMB320 billion. The Bank improved the post-loan risk evaluation model of credit card, allocated differentiated collection strategies, and continued to exploit collection potential.

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(3) The Bank upgraded "online + offline + cloud" integration channel, and launched the "Cloud Minsheng" digital channel service system

The Bank significantly improved the comprehensive service capability of mobile finance. The Bank won many awards, including "2021 Internet Financial Bank with Outstanding Competitiveness (2021卓越競爭力網絡金融銀行)", "Jinxi Award• 2021 Outstanding Mobile Bank (金禧獎•2021 優秀手機銀行)" and "Most Distinctive Mobile Financial Service Award (最具特色移動金融服務獎)". The Bank introduced new **"online retail"** products and services, effectively giving full play to the main front advantage of mobile banking. The Bank released retail mobile banking 6.0, took the initiative in adapting Huawei Harmony OS, launched intelligent financial services including real-time asset review, smart income and expenditure review, smart calendar, smart search, smart voice and others, created online asset certificate, electronic medical insurance certificate, personal credit inquiry, electronic invoice and other series of convenient and beneficial services. The Bank strove to build life scenario of mobile banking, completed 25 distinctive zones of branches, initiated the first keyboard bank in the industry, and provided convenient services such as instant withdrawal and one-click skip to mobile banking under the scenario of Baidu input method. The Bank enriched the ways of customer interaction, constructed the live steaming rooms for mobile banking, and conducted over 140 live streaming activities. The Bank vigorously promoted corporate WeChat platform, and added more than 3.5 million customers. As at the end of the Reporting Period, the Bank had 93,559.7 thousand users of online retail platform, representing an increase of 11,175.0 thousand, or 13.56%, as compared with the end of the previous year. The substitution rate of transactions at online retail platform reached 97.85%, and the number of monthly active users of online retail platform amounted to 26,343.5 thousand, representing an increase of 4,722.7 thousand, or 21.84%, as compared with the end of the previous year. As for **"online corporate"** services, the Bank launched "Minsheng E-Enterprise (民生e企)" brand, and expanded customer service channels via "three banks[14] + bank-enterprise direct connect (三個銀行+銀企直聯)". The Bank created corporate online banking 3.0, and carried task centre, information centre and help centre on the "Unified User System for Corporate Pass (對公通行證統一用戶體系)", and elevated the quality and efficiency of intelligent services. The Bank launched the corporate mobile banking 3.0, and advanced open registration, electronic notes and other scenario-based application. The Bank established corporate WeChat banking 3.0, and made innovation in the online account-opening mode of corporate accounts. The Bank established the full-life cycle management system for bank-enterprise direct connect, and worked with UFIDA to launch test-free services for bank-enterprise direct connect for the first time, shortening the processing time from two weeks to a minimum of 1-2 working days. As at the end of the Reporting Period, the Bank had 2,970.9 thousand users of corporate online platform, representing an increase of 334.1 thousand, or 12.67%, as compared with the end of the previous year, and the number of monthly active users of corporate online platform amounted to 989.3 thousand, representing an increase of 229.3 thousand, or 30.17%, as compared with the end of the previous year. During the Reporting Period, the cumulative transaction amount of online corporate finance platform amounted to RMB66.71 trillion, representing an increase of RMB8.25 trillion, or 14.11%, as compared with the corresponding period of the previous year. As at the end of the Reporting Period, the number of bank-enterprise direct connect customers amounted to 3,343, representing an increase of 829, or 32.98%, as compared with the end of the previous year. During the Reporting Period, the daily average deposits of bank-enterprise direct connect customers per annum amounted to RMB770,704 million, representing an increase of RMB190,465 million, or 32.83%, as compared with the previous year.

[14] Three banks refer to mobile banking, online banking and WeChat banking.

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The Bank accelerated the intelligent transformation of stores. "Smart Bank Experience Stores" were built and promoted in many regions, and the advantages of smart finance and business outlets supported each other. The first "smart banking experience store" in Zhongguancun has been running for a year, and achieved significant increase in the number of visitors and the sales volume of financial products. The business loading rate of remote and intelligent equipment amounted to 71.4%. The Bank worked with sci-tech innovation enterprises and sci-tech forums to jointly develop "Intelligent Academy (智慧學院)", "Intelligent Financial Media Communication (智慧金融媒體交流)", "Cross-Strait Forum on Technology Development (京台科技論壇)" and other activities, and continued to maintain high customer influence and active brand promotion. The Bank established the **"lobby integration (廳堂一體化)"** service system, and "lobby + remote banking + intelligent equipment + mobile operation" elevated the comprehensive service capability of "professional work division + service coordination + integrated control". The Bank set up the evaluation system for intelligent efficiency of business outlets, enhanced process control and efficiency evaluation, and elevated the efficiency and capacity structure of business outlets. **"Remote banking"** provided portable, active and considerate intelligent financial service experience. The Bank launched intelligent remote teller, intelligent assistant, intelligent outbound calls and other functions, released elderly-friendly exclusive financial services, and provided one-click staff services for customers aged over 60 and emergent and high-risk businesses, seeking to bridge digital divide. During the Reporting Period, the daily average number of customers served by remote banking and customer service hotline amounted to 42 thousand, and the call capture rate and customer satisfaction maintained a leading level in the industry. As for AI-based outbound calls, the Bank newly added the application of five scenarios including customer care, event invitation, interests notification, reminder notification and product marketing, conducted 96 intelligent outbound call projects, and elevated financial assets by RMB1.4 billion.

"Cloud Minsheng" service system upgraded customer experience. The Bank created comprehensive task coordination and message centre, supported online and offline coordinated services, further broke through and integrated two major financial service channels, namely online banking and counters, and launched "cloud outlets, cloud delivery, cloud account-opening, and cloud witnessing" and other cloud-based business applications.

(4) The Bank practised "full-process business operation + bank-wide centralised operation support", and elevated the efficiency of digital operation

The Bank established the closed loop operation system of credit card. The Bank optimised card registration experience, realised the full-process integration of "on-site card registration-card production-delivery-activation", issued electronic credit card, and realised the full-process online operation of "application-approval-card issuance". During the Reporting Period, the average duration for customers to acquire credit card was shortened from four days to 0.5 day. **The Bank established the "project of digital operation platform of Daily Life App (全民生活數字化運營平台項目)"**, which received the third prize of fintech development award from the PBOC, and worked with leading internet companies to elevate all-range data collection and integration capability from public domain operation to private domain operation, and sped up digital and intelligent upgrading from customer segmentation, contact management, channel construction, content operation and other perspectives. As at the end of the Reporting Period, the cumulative number of registered users of Daily Life App of credit card business amounted to 28,013.6 thousand, and the number of new customers in the year amounted to 2,658.6 thousand.

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The Bank enhanced the supporting role of centralised operation. The Bank deepened integrated operation, optimised the efficiency of operating resources allocation, and established the operational service hub of "Windbell (風鈴)" to provide non-stop, non-delay and highly expedite financial services. The Bank proactively responded to sudden disastrous weather in certain regions and the test of the normalised COVID-19 pandemic prevention and control, and took a series of measures including coordinated remote back-up and disaster recovery, off-site operation and others, and adopted the centralised operation layout featuring high logical centralisation and proper physical decentralisation to ensure non-stop financial services to customers in a comprehensive manner. **The Bank continued to deepen the development of "cloud-based operations"**, served 6,892 remote businesses, and strongly safeguarded the demands of cross-regional customers. The Bank deeply implemented the reform arrangements of the State Council to "streamline administration and delegate power, improve regulation, and upgrade services (放管服)", earnestly implemented the requirements of "not reducing convenience of account-opening and not reducing risk prevention and control, enhancing corporate account services and enhancing accounting management (兩個不減、兩個加強)" for account management, and provided small and micro enterprises with "integrated online and offline convenient account-opening (線上線下一體化便捷開戶)" services. Based on the mode of electronic warrant mortgage, the Bank developed the full-process service mode of online mortgage loan placement in the premise of strengthening risk control, covering 37 tier-one branches, 57 tier-two branches and 68 county/ remote sub-branches.

(5) The Bank advanced "data-driven decision-making + efficiency improvement by tools", and built the refined management capability of "front, middle and back offices"

The Bank improved the data-driven analysis and decision-making capability. The Bank established and improved management cockpit and "value cloud map", provided data support for precise decision-making, and realised "one-screen management of the Bank and one-click aid in decision-making". The Bank advanced the product development of retail performance standardisation and retail management data board, provided real-time position inquiry of deposits and loans, data board for presidents of Head Office and branches, mobile data board for president of sub-branches, basic data services for front-line staff, and other functions.

The Bank developed intelligent digital management tools. In human resources, financial management, asset-liability management, office operation and other fields, the Bank established standardised and normalised management system, and elevated the efficiency of coordinated management.

4. The Bank significantly enhanced the capability of public platform of digital transformation

(1) The Bank strengthened the integrated payment platform and tightly seized the transformation opportunity in the payment industry

The Bank set up the "Minsheng Pay+" service system, released "Minsheng Pay+" payment with benefit portfolio, developed "Minsheng Pay+" industry application plan, and released industry applications of "Minsheng Pay+ Bank-Court Connect (銀法通)" and "Minsheng Pay + Housing Administration Connect (房管通)", providing integrated services of payment settlement and fund management to tax payment and other institutional customers, medical care and other industrial customers. **The Bank enriched personal payment services**, released "one-click card inquiry" function for Cloud Quick Pass, and realised the barcode

payment connectivity with WeChat and Alipay. **The Bank sped up the research and development of digital RMB services,** worked with data research institutes and operating agencies, and realised recharge and withdrawal services with Minsheng cards on the e-CNY App (數字人民幣APP). The personal mobile bank App and the corporate online bank of the Bank supported the binding of digital wallets of some other banks, and the relevant transfer out and transfer in and other services. During the Reporting Period, the number of payment transactions with the debit card of the Bank amounted to 52,636.0 thousand, representing an increase of 13,181.9 thousand, or 33.41%, as compared with the corresponding period of the previous year. The transaction volume amounted to RMB45,804 million, representing an increase of RMB13,726 million, or 42.79%, as compared with the corresponding period of the previous year.

(2) The Bank upgraded open bank platform and expanded comprehensive services of open bank

The Bank launched the open bank platform 2.0, built unified submission platform, and facilitated open collaborations to reduce cost and increase efficiency. The Bank launched transaction risk monitoring, and realised the real-time monitoring and early warning of major transactions of open bank, safeguarding the compliant and steady development of businesses. **The Bank continued to build financial service ecosystem independently or under joint efforts with partners,** increased the openness of product and service integration of the Bank, enhanced the three modes of "going out (走出去)", "bringing in (請進來)" and "collaborative innovation (合作創新)", strengthened the brand of Minsheng Cloud+ (民生雲+), and won the "Best Open Bank Award (最佳開放銀行獎)" by the China Financial Certification Authority. During the Reporting Period, the Bank launched seven industrial service plans, including "Cloud Agency Book Keeping, Cloud Human Resource, Cloud Cost Control, Cloud Enterprise Payment, Cloud Freight, Cloud Collection and Payment, and Cloud Fitness (雲代賬、雲人力、雲費控、雲企付、雲貨運、雲收付、雲健身)", and connected with 101 platforms. Cloud Agency Book Keeping had more than 4.4 thousand new small and micro customers, and accumulated more than RMB1 billion of deposits. Cloud Freight opened a cumulative number of 265 thousand sub-accounts, and the monthly transaction volume amounted to RMB0.8 billion.

5. The Bank continued to improve IT and data capabilities

The Bank continued to improve IT and data capabilities based on the capacity-building of enterprise-level architecture planning management and enterprise-level platform, generally planned and established the digitalised IT base from the perspective of the entire Group, planned as a whole the arrangement of IT resources of the entire Bank, improved resource integration capability and portfolio-based business innovation capability, and sped up the transformation of IT innovation achievements to business value.

(1) The Bank continued to enhance IT capability with focus on "infrastructure, IT architecture, application of new technologies and information security"

The Bank supplied financial information infrastructure in a flexible and continuous manner. The Bank established "Head Office Cloud, Branch Cloud and Group Ecosystem Cloud (總行雲、分行雲、集團生態雲)", comprehensively put all distinctive businesses of branches on the clouds, and upgraded the data-driven intelligent operation and maintenance. During the Reporting Period, the information system of the Group operated in a secure and stable manner, and the maturity evaluation result of service capability of data centre was Outstanding Grade Level Four. The construction of Mapo Cloud Computing Centre, designed in accordance with Uptime Tier IV, the highest grade of international data centres, has started, and the software testing management passed TMMi Tier 5 certification, the highest international certification system.

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The Bank realised the transformation of "fully-distributed" IT architecture. The Bank established the enterprise-level architecture with "distributed, Cloud Native" as the foundation and "middle-tier business PaaS, middle-tier data PaaS, middle-tier AI PaaS" as the core, and formed the three-layer system of "channel access layer, scenario-oriented middle-tier layer, and technological platform layer", and obtained 18 patent licenses. The Bank created the first online data migration plan of core system in the industry, developed the matching "migration platform", and successfully completed the online customer data migration at 100-million-level for the distributed core system, without affecting customers' normal transaction nor causing service interruption. The distributed core system and the online non-inductive migration project won the second prize of fintech development award by the PBOC and the second prize of Beijing municipal scientific and technological progress. Based on the high efficiency R&D system of DevOps and the standardised and modularised development capability of middle-tier business PaaS, the product R&D and customer connection efficiency was elevated by more than 30% as compared with the corresponding period of the previous year, and the connection capability and agile R&D delivery capability of the high efficiency system platform demonstrated evident improvement, while the comprehensive financial service scenarios at the B-end, C-end, G-end and the F-end continued to enrich.

The Bank built the innovative research labs for AI, blockchain, the Internet of Things and others. The Bank continued to establish the three platforms of blockchain, and expanded the scenario-based applications of "blockchain open service platform (區塊鏈開放服務平台)", "blockchain trade finance platform (區塊鏈貿易金融平台)" and "blockchain judicial evidence preservation service platform (區塊鏈司法存證服務平台)". The blockchain judicial evidence preservation service platform covered online loans, funds, wealth management, insurance, offline seal utilisation and other scenarios, and the daily average volume of evidence preservation amounted to 30 thousand. The Bank was among the first batch of banks in the industry participating in the development of the confirmation platform of China Banking Association, and the first bank in the industry accessing the industrial confirmation platform. **The Bank enhanced cooperation with leading fintech institutions and colleges and universities,** "Minsheng Credit Card-Huawei Big Data Joint Innovation Lab" won the 2021 "Best AI Lab in China" award by the Asian Banker.

The Bank reinforced the line of defense against information security risk of the Group. The Bank enhanced the unified protection of network security and data security of subsidiaries and branches, and maintained its leading position in the security competitions organised by the state and regulatory authorities, effectively responding to new landscape, new challenges and new risks. The "Construction of Zero Trust System for Mobile Applications of Enterprises by Minsheng Bank" won the "Outstanding Case Award of Cloud Security Defender Plan" by the China Academy of Information and Communication Technology. During the Reporting Period, the relevant systems were rated as "excellent" in the evaluations on network security level and protection in 2021.

(2) The Bank constantly improved data capability with focus on "data governance and platform building"

The Bank further improved the data governance system of the whole Bank, continued to develop towards data standardisation, formulated and released unified data standards for the Bank in batches, and constantly improved basic data quality.

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The Bank promoted data resource sharing via the unified big data platform, comprehensively integrated internal and external data, enhanced the foundation for data analysis and application, and provided unified data models, data standards, development framework and tools. **The Bank strengthened middle-tier data PaaS,** created the closed data loop of "production-consumption-reproduction-re-consumption", formed the supporting capability for real-time applications with real-time data availability and service availability, and provided nearly a thousand real-time indicators to support services of more than 20 types of real-time events such as marketing and risk control. **The Bank established middle-tier AI PaaS**, built the AI capability warehouse and AI modeling development workstation shared by the whole Bank, integrated machine learning, knowledge mapping, natural language processing, robot process automation, digital human and other mainstream AI technologies, and provided more than 100 types of AI scenario applications.

(VI) Business outside the Chinese mainland

During the Reporting Period, the Hong Kong Branch implemented the development strategy of the Bank, fully played its role as a platform for business outside the Chinese mainland, managed high-quality customer groups in a deep-going way, focused on building differentiated competitive advantages, and enhanced its capabilities in providing comprehensive financial services. All the three major businesses, namely corporate banking, financial markets, private banking and wealth management, saw high-quality development and significant business growth.

1. Taking root in Hong Kong, strengthening cross-border coordination and seeking for more businesses with quality customer groups

To practise the key regional strategy of the Bank, Hong Kong Branch took Hong Kong as the base and focused on the development of the Guangdong-Hong Kong-Macau Greater Bay Area to expand its advantages in cross-border coordination and synergy and provide customers with professional, integrated cross-border financial solutions. During the Reporting Period, Hong Kong Branch carried out 26 significant coordinated projects with strategic customers, with over RMB18 billion credit assets of cross-border cooperation.

Hong Kong Branch highly valued the adjustments to credit customer structure and the improvement in customer quality. As at the end of the Reporting Period, the balance of credit assets of quality corporate customers with high ratings accounted for 52.25%. The Branch valued the development of quality local customers. During the Reporting Period, it registered 29 new quality local credit customers, with over HKD27.0 billion credit assets placed. In addition, Hong Kong Branch valued cross-border wealth management of mid- and high-end retail customers. As at the end of the Reporting Period, the AUM of the private banking and wealth management customer groups exceeded HKD25.0 billion.

2. Putting customer first, developing distinctive sectors, and building core advantages

Committed to creating value for customers, Hong Kong Branch further explored businesses in its distinctive business sectors and has seen sound development in overseas syndicated loans, cross-border M&As, among others. During the Reporting Period, Hong Kong Branch participated in 18 M&A financing projects and led to organise 14 syndicated loan and club loan projects. The Branch ranked 12th in terms of the amount of projects under syndicated loan book runners and mandate lead arrangers in Hong Kong and Macau, demonstrating professional position of the Bank in overseas syndicated loan business.

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Adhering to the customer-centric philosophy, Hong Kong Branch provided customers with comprehensive financial services and has established certain business advantages in bond underwriting, asset custody, foreign exchange trading, among other sectors. In terms of bond underwriting, Hong Kong Branch constantly developed customer groups and expanded bond underwriting size, and made breakthroughs in underwriting new types of bonds such as Yulan Bonds and overseas bonds of local governments. During the Reporting Period, Hong Kong Branch underwrote 119 bonds outside the Chinese mainland, representing an increase of 20.20% as compared with the corresponding period of the previous year, ranking 4th in the global ranking[15] in terms of number of bonds underwritten by the Group. In terms of asset custody, Hong Kong Branch kept enriching the custody product system and significantly improved its comprehensive custody capabilities. As at the end of the Reporting Period, the assets under custody amounted to HKD96,001 million, representing an increase of 34.73% as compared with the corresponding period of the previous year, ranking the 2nd among comparable Chinese joint-stock banks. In terms of foreign exchange trading, Hong Kong Branch fully deployed agency business of foreign exchange and derivatives, and further increased trading size and yield levels. As at the end of the Reporting Period, the size of agency business of foreign exchange and derivatives amounted to USD9,189 million, representing an increase of 31.33% as compared with the end of the previous year.

Taking cross-border wealth management business as the pivot and online banking and mobile banking as the vehicle, Hong Kong Branch deeply dug into the financial demands of mid- and high-end individual customer groups, enriched product offerings, and innovated the model of value-added services, thereby constantly enhanced its capabilities in providing cross-border comprehensive financial services. During the Reporting Period, Hong Kong Branch strove to build a private banking and wealth management fund platform and launched nearly 100 selected publicly offered funds whose sales exceeded HKD1.5 billion. Hong Kong Branch constantly deepened cooperation with financial institution customer groups and kept expanding the market leadership of its bank-securities transfer business platform, where 26 securities traders opened bank-securities service with a trading volume of HKD36,695 million. As one of the first batch of banks that can develop business of "Cross-Border Wealth Management Connect", Hong Kong Branch has electronised the whole process of account opening and trading. As at the end of the Reporting Period, the market share of transfer volume through Cross-Border Wealth Management Connect was 23.49%. Of which, the market shares of "Southbound Connect (南向通)" showed obvious advantages with 39.29% in terms of total transfer amount, and 47.15% in terms of net inflow amount to Hong Kong.

Hong Kong Branch remained committed to providing better quality services for its customers. It won the 2021 "Excellent Customer Service Bank Award" by Hong Kong Economic Journal《信報》, an authoritative financial media in Hong Kong.

As at the end of the Reporting Period, total assets of Hong Kong Branch amounted to HKD209,034 million, representing an increase of 2.46% as compared with the end of the previous year. During the Reporting Period, net income of Hong Kong Branch amounted to HKD2,589 million, representing an increase of 11.26% as compared with the corresponding period of the previous year; specifically, net interest income amounted to HKD2,240 million, representing an increase of 13.36% as compared with the corresponding period of the previous year; total profit amounted to HKD2,120 million, representing an increase of 17.00%

[15] Data sources: Bloomberg, standard of the Group

as compared with the corresponding period of the previous year, building a momentum of faster income growth and profit growth than asset growth. During the Reporting Period, taking reduction of liability costs as one of the key tasks, Hong Kong Branch continued to optimise liability structure and expand liabilities sources, with a focus on steady growth in settlement deposits, as a result, the net interest margin rose by 14BP as compared with the corresponding period of the previous year, taking a leading position among Chinese joint-stock banks in Hong Kong. In the meantime, Hong Kong Branch deepened the philosophy of compliance-based operation, adhered to risk first orientation, and intensified the construction of risk control system. As a result, the quality of credit assets kept improving. As at the end of the Reporting Period, the NPL ratio of Hong Kong Branch was 0.42%, lower than the average level of peer banks in Hong Kong.

(VII) Major equity investments and management of consolidated financial statements

As at the end of the Reporting Period, the Bank had long-term equity investments of RMB8,381 million. For details, please refer to the notes to the financial statements.

1. Minsheng Financial Leasing

Minsheng Financial Leasing, one of the first five financial leasing companies with banking background approved by the former CBRC, was established in April 2008 with a registered capital of RMB5,095 million. 54.96% equity interest of Minsheng Financial Leasing was held by the Bank. The main business scope of Minsheng Financial Leasing includes financial leasing of vehicles, vessels, commercial aircraft, business jets, large-scale equipment, etc.

During the Reporting Period, Minsheng Financial Leasing made steady progress, pursued high-quality and characteristic development, maintained a sound development momentum, focused on "professional services for corporate customers and dedicated services for retail customers (一專一小)", enhanced operating lease of aircraft, vessels and equipment by taking professional advantages, further expanded retail vehicle leasing and equipment financing of medium, small and micro enterprises relying on fintech, and achieved good results. During the Reporting Period, the operating income amounted to RMB7,194 million, representing an increase of 10.92% as compared with the corresponding period of the previous year. Its profit before allowance amounted to RMB3,987 million, representing an increase of 16.27% as compared with the corresponding period of the previous year. Minsheng Financial Leasing continued to adjust and optimise its asset structure. Based on fintech, retail vehicle leasing business accounted for 60.70% of newly-increased placement, representing an increase of 31.51% as compared with the corresponding period of the previous year. As at the end of the Reporting Period, the balance of retail vehicle leasing business amounted to RMB43,866 million, representing an increase of 46.78% as compared with the end of the previous year. Minsheng Financial Leasing further improved its asset quality, and its allowance to NPLs increased by 39.95 percentage points as compared with the end of the previous year. It proactively engaged in the integrated business coordination system of Minsheng Bank, leveraged on the professional advantages of leasing products, and conducted the integrated coordination of customers, products and marketing with Minsheng Bank, hence improving the width and depth of business coordination.

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2. Minsheng Royal Fund

Minsheng Royal Fund is a Sino-Foreign fund management joint venture established in November 2008 under the approval of the CSRC, with a registered capital of RMB300 million. 63.33% equity interest of Minsheng Royal Fund was held by the Bank. Minsheng Royal Fund mainly engages in fund management, fund sales, specific customer asset management and other businesses approved by the CSRC.

The performance of mid- to long-term investments of Minsheng Royal Fund was outstanding. It won the Golden Bull Awards (金牛奖) for 23 times in the past nine years, and was fully affirmed by the investors and the industry. As at the end of the Reporting Period, Minsheng Royal Fund had total assets of RMB2,928 million, representing an increase of RMB457 million, or 18.49%, as compared with the end of the previous year. Its net assets amounted to RMB1,718 million, representing an increase of RMB407 million, or 31.05%, as compared with the end of the previous year. During the Reporting Period, its net profits amounted to RMB267 million, representing an increase of RMB45 million, or 20.27%, as compared with the corresponding period of the previous year. A total of 96 public funds were managed by Minsheng Royal Fund with total amount of RMB145,291 million. Of which, non-monetary public funds under its management amounted to RMB117,573 million. Minsheng Royal Fund also managed 64 private equity management plans with a total amount of RM28,158 million.

Minsheng Royal Fund initiated and established Minsheng Royal Asset Management on 24 January 2013, and currently holds 52.71% equity interest in it. Minsheng Royal Asset Management's registered capital is RMB968 million, and the scope of business includes specific customer asset management and other businesses permitted by the CSRC. As at the end of the Reporting Period, assets managed by Minsheng Royal Asset Management amounted to RMB18,740 million.

3. CMBC International

CMBC International is a wholly-owned subsidiary of the Bank established on 11 February 2015 in Hong Kong under the approval of the former CBRC, with a registered capital of HKD4,207 million. The principal business of CMBC International includes sponsorship of listing in Hong Kong, financial advisory, underwriting and issuance of bonds, asset management and wealth management, stock brokerage, direct investment and structured finance. CMBC International is an important and strategic platform for the comprehensive development and international expansion of the Bank.

During the Reporting Period, CMBC International overcame the impacts of the pandemic and fluctuations on the capital market, enhanced the marketing of investment banking businesses including underwriting of bonds, sponsorship of listing and underwriting of stocks, made continuous investment in fintech, optimised product and customer structure, cultivated new business growth points, and further consolidated and improved its competitive edge in the industry. As at the end of the Reporting Period, CMBC International had total assets and total liabilities of HKD31,030 million and HKD24,709 million, respectively. Net assets amounted to HKD6,321 million, of which, total equity attributable to holders of equity shares of the Bank was HKD5,317 million. During the Reporting Period, net income and net profit of CMBC International amounted to HKD908 million and HKD500 million, respectively, of which, net profit attributable to holders of equity shares of the Bank was HKD380 million.

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4. Minsheng rural banks

Minsheng rural banks (collectively referred to as "rural banks") are the rural banks initiated and established by the Bank as a major promoter. As at the end of the Reporting Period, the Bank established a total of 29 rural banks with 84 business outlets. Total assets, total loans and total deposits of the rural banks amounted to RMB39,465 million, RMB24,451 million and RMB32,934 million, respectively, representing increases of RMB1,699 million or 4.50%, RMB1,838 million or 8.13%, and RMB1,749 million or 5.61% as compared with the end of the previous year, respectively. During the Reporting Period, net profit amounted to RMB205 million, representing an increase of RMB66 million, or 47.48%, as compared with the corresponding period of the previous year.

During the Reporting Period, the Bank proactively adopted measures in compliance with the relevant requirements of the Board to maintain "effective risk control, steady business development and orderly internal management" to encourage the rural banks to focus on their original service functions, consolidate management foundation, strictly abide by the bottom line of compliance, strongly support the rural revitalisation strategy, improve service quality, and sincerely serve the "rural areas, agriculture and farmers", small business finance as well as residents in communities. All rural banks were committed to seeking for more businesses in the regional markets and constantly exploring featured products and effective modes to serve rural revitalisation with financial services. The rural banks have become the important platforms of the Bank to perform social responsibilities and the effective expansion of the Bank's brand and service coverage in county areas, and have been widely acclaimed by the customers, peers, the governments and the public.

During the Reporting Period, in strict compliance with the regulatory requirements, the Bank performed its duties as the major promoter to further optimise the management system and mechanism of rural banks, so as to strengthen support and management of the rural banks. The Bank also promoted the rural banks to improve party building, corporate governance, business development, risk management, compliance and internal control, and team building, and improved the functions of their IT systems. Furthermore, the Bank helped enhance their profitability, urged and assisted key rural banks to accelerate risk mitigation, organised and assisted the rural banks to conduct pandemic prevention and control, so as to constantly elevate their development quality and comprehensive efficiency.

5. Consolidated management

During the Reporting Period, the Bank adhered to its "One Minsheng" philosophy, continued to strengthen the consolidated management of the Group, and elevated management quality and efficiency. The Bank transformed the organisation system for consolidated management, perfected relevant management systems, and enhanced the responsibilities of relevant departments and subsidiaries for consolidated management. The Bank improved key supervision mechanism for consolidated management, practised full-process management from the formulation of plans, process supervision to execution of evaluation, and elevated the planning nature, foresight and execution efficiency of consolidated management. The Bank optimised the consolidated management system of the Group, improved the management functions of platforms, and elevated the systematic support of consolidated management. In addition, based on the regulatory requirements and its actual situation, the Bank further enhanced business coordination, corporate governance and management in terms of risk, capital, internal transactions, concentration ratio, risk isolation and other factors of consolidated management. The Bank also carried out special audit, evaluation and supervision of consolidated management, and strengthened professional guidance and training. The width and depth of consolidated management were expanded to improve the efficiency of group-oriented management.

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XII. Risk Management

During the Reporting Period, the Bank firmly followed the decisions and arrangements of the CPC Central Committee and the State Council, implemented the regulatory requirements, established the internal control system for risks supported by multiple pillars, and set up the new risk management pattern with "one core and two systems (一核兩系)", that is, the centralised and unified leadership of the Party committee serves as the core, the online intelligent risk control system serves as the baseplate and the offline policy system serves as the support. Focusing on the good management of people, business and money, the Bank put in place the long-term risk management mechanism. The Bank rolled out the guidelines for enhancing the risk governance system of the Group and improving risk governance capability, focused on eight aspects namely framework, policies, process, system, personnel, execution, supervision and culture, established a positive cycle featuring comprehensive examination, three-dimensional evaluation, long-term rectification and all-round elevation, thus consolidating the supporting "pillars" of the comprehensive risk management system. The Bank strengthened the accountabilities for prudent operation and risk management and control at all levels, defused existing risks and controlled incremental risks, transformed risk management capability into sustainable business development capability, enabled the high-quality development of the Bank, safeguarded the long-term interests of holders of equity shares, employees and customers, and realised the maximisation of the value of holders of equity shares.

During the Reporting Period, the Bank won the "China Regulatory Technology Implementation Award 2021 (中國年度監管技術實施獎)" by The Asian Banker with its Mesoscopic Concentration Risk and Portfolio Limit Management Project《基於風險計量的中觀風險限額管理提升項目》. The anti-money laundering work of the Bank won more than 20 commendations by the regulatory authorities, public security and judicial organs successively. In the 2020 evaluation of data quality of credit reference system of national banks organised by the Credit Reference Centre of the PBOC, the Bank won the awards of outstanding organisation and outstanding individual for its corporate banking business and personal banking business.

(I) Credit risk management

Credit risk is the risk that a borrower or a counterparty defaults in making repayments in a timely manner in full amount for whatever reasons. A platform consisting of risk strategies, credit policies, portfolio management, risk measurement tools and information system support has been established by the Bank to control risks and support the steady development of businesses. The credit risk management system covers the whole process including pre-approval investigation, approval review, and post-loan management. Credit risks of loans extension and non-credit business are also strictly controlled.

The Bank established the "trinity" credit policy system. Firstly, the Bank reshaped the credit policy system, realised the multi-dimensional and all-round coverage of credit policies, and fully supported the standardised and healthy development of businesses. Secondly, the Bank formulated differentiated regional policies to support the Greater Bay Area, the Yangtze River Delta, Chengdu-Chongqing, Beijing-Tianjin-Hebei and other major areas, thus enabling the development of featured industries in these areas. Thirdly, the Bank strengthened credit support for key fields, and clarified principal supporting policies for inclusive finance, green finance, rural revitalisation and other fields.

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The Bank reshaped the credit system. Firstly, the Bank followed the "system first (制度先行)" norm, reconstructed the credit management system, formulated or revised 274 credit systems and abolished 242 systems throughout the year, so as to effectively bolster system weakness and regulate business development. Secondly, the Bank compiled the first Credit Manual《信貸手冊》to specify management standards and improve the systematicness and convenience of system execution.

The Bank reformed the approval system and perfected the approval mechanism. Adhering to the philosophy of "preventing risks and supporting development" and in line with the five principles of "professionalism and dedication, efficient process, openness and coordination, authority with corresponding responsibility, and independent decision-making", the Bank launched the reform of the credit approval mechanism of corporate customers, effectively improving approval professionalism and independence and establishing the long-term mechanism for preventing moral risks. Firstly, the Bank set up the full-time credit officer team. The Bank established the first full-time credit officer team consisting of 205 members, got through the channel for the career development of professional job sequence of credit officers, and addressed the issue of authority with corresponding responsibility of credit officers. Secondly, the Bank practised the main accountable person for operation system, under which the main accountable person for operation organised pre-approval investigation to truly strengthen the responsibility of the first line of defense and improve the quality of credit investigation. Thirdly, the Bank implemented "one examination and one approval (一次審查、一次審批)" to elevate approval efficiency. Fourthly, the Bank reformed the credit review mode of group customers. By conducting "1+2+2" group customer credit plan review meetings, the Bank reasonably specified the plans of "three confirmations" (confirmations on strategies, total amount and structure) ("三定"方案(定策略、定總量、定結構)) for group customers, so as to effectively prevent and control credit concentration risk of group customers and improve the quality and efficiency in serving quality customers. Fifthly, the Bank canceled the mode of single person approval, and promoted the decision-making mechanism of "1+4" review meeting on the credit granting of single customers, thus to address the issue of excess discretionary power of single person approval in the past. Sixthly, the Bank repealed the former six regional review centres, reorganised professional review centres by major industries, under which full-time credit officers practised professional approval in a unified manner, thus unifying the approval standards throughout the Bank.

The Bank continued to improve risk monitoring and early warning capability. Firstly, the Bank elevated the depth and width of risk warning and monitoring, included bond-issuing enterprises, listed companies and related party customer groups into the scope of early warning and monitoring, employed analysis of early warning management system, external public opinion monitoring and other means to monitor all kinds of burst messages in a dynamic manner, leaving no potential risk unaddressed. Secondly, the Bank strictly implemented early warning identification, and fully utilised risk early warning information to timely identify customers' risks and effectively avoid credit risk losses. Thirdly, the Bank enhanced voluntary exit management, formulated, released and executed the exit plan for corporate credit business throughout the Bank, and reduced business volume of and exited from a group of customers with potential risks in a timely manner.

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The Bank enhanced credit risk prevention and control in major fields. Firstly, the Bank strengthened risk prevention and control in real estate field, strictly practised unified credit management and approval of newly-increased credit of real estate business by the Group. Drawing on the management principle of "three red lines (三道紅線)", the Bank strengthened the adjustment of existing customer structure and strictly implemented the regulatory requirements for concentration control. Secondly, the Bank took strict precautions against risks in government financing platforms, strictly maintained the red lines and bottom lines of regulatory policies, strictly prohibited the new increase of hidden government debts, chose business subjects and projects in strict accordance with business and market-oriented principles, and practised segmented and classified access administration of customers in various regions, and comprehensively investigated financing business of the existing platform throughout the Bank.

The Bank comprehensively elevated the efficiency of collection and disposal of non-performing assets. Firstly, the Bank optimised the asset protection management system and mechanism, established the asset protection management system featuring integration of head office and branches, "full coverage of all businesses, and equal consideration on centralised collection and integrated management", and improved the management mechanism for examination and evaluation, incentive and restriction, to stimulate the efficiency of collection and disposal. Secondly, the Bank consolidated the institutional infrastructure, formulated the work guidance and operation manual for asset protection, and established the asset protection operation regime with "system, guidance and manual", realising the standardised, process-based and normalised operation of collection and disposal. Thirdly, the Bank practised segmented and classified management, reasonably utilised various collection and disposal means, and implemented multiple strategies to speed up the disposal of non-performing assets. Fourthly, the Bank laid emphasis on the efficiency of collection and disposal, continued to enhance cash collection, and proactively gave play to the leading role of valuation, so as to effectively elevate the economic efficiency and reduce the loss of the disposal of non-performing assets.

The Bank improved the credit risk measurement system. Firstly, the Bank built the model risk management framework throughout the Bank, studied out the management system, and clearly defined the basic factors of model life cycle management, model risk classes and management procedures. Secondly, the Bank enhanced the control of credit risk measurement, and rigidly managed rating overturn to improve the rigidness of credit risk measurement and strictly guard against man-made adjustment of risk rating. Thirdly, the Bank continued to iterate and improve the credit risk rating model, and developed and optimised multiple models for the rating of small and medium-sized sci-tech innovation enterprises, scoring of online small business loans, and early warning for retail business. Fourthly, the Bank improved the RAROC application management system, and promoted deeper application of customer-side RAROC in classified customer management, credit policies, loan pricing and performance evaluation, among other fields.

The Bank accelerated the construction of intelligent risk control system. According to the construction plan for enterprise-level intelligent risk control throughout the Bank, the Bank systematically advanced the construction of intelligent risk control projects to comprehensively strengthen the foundation of risk data governance and improve the construction of full-process functions of risk control. Firstly, the Bank developed the industry limit management system to advance the continuous optimisation of industrial

structure. Secondly, the Bank advanced intelligent examination and intelligent approval, released the review and approval function on mobile devices, and developed the intelligent divided decision-making mode of secured loans to small and micro enterprises, thus significantly improving the efficiency of approval process. Thirdly, the Bank promoted automatic loan placement, realising automatic immediate loan placement under the supply chain scenario.

(II) Large-amount exposure

According to the Administrative Measures on Large-amount Exposures of Commercial Banks (Yin Bao Jian Hui 2018 No.1 Order《商業銀行大額風險暴露管理辦法》(銀保監會2018年1號令) released by the CBIRC, large-amount exposure refers to the credit risk exposure of a commercial bank exceeding 2.5% of its net tier-1 capital (including various kinds of credit risk exposures arising in the banking book and the trading book) to a single customer or a group of connected customers. The Bank proactively established and improved the organisational framework and management system for large-amount exposures, improved management systems, measures and supporting system functions for large-amount exposures, and conducted the measurement, monitoring and reporting of large-amount exposures in an orderly manner, so as to effectively manage large-amount exposures throughout the Bank. As at the end of the Reporting Period, except for customers exempted by the regulators, the non-peer single customers, non-peer Group customers, peer single customers, and peer Group customers of the Bank meeting large-amount exposure standards all satisfied the regulatory requirements.

(III) Market risk management

Market risk refers to the risk of adverse changes in market prices (interest rates, exchange rates, stock prices and commodity prices), inflicting losses in on- and off-balance sheet businesses of commercial banks. The Bank manages its interest rate risk, exchange rate risk, stock price risk and commodity price risk in accordance with the regulatory requirements and the rules of the Basel accords. The Bank continuously improves system management, risk limit, valuation management, product access, middle office monitoring, measurement capability, compliance development, system development and data management to cope with the environment of banking industry with ever-abundant products and increasingly complex risks.

During the Reporting Period, the Bank carried out the identification, measurement, monitoring and reporting of market risks in an orderly manner, continued to improve the market risk management system, and further elevated the professional level of market risk management. Firstly, the Bank promoted the full coverage of the market risk management system, and fully integrated the market risks of banking corporation and subsidiaries within the Group into the monitoring and management scope of the second line of defense, realising the all-round monitoring of on- and off-balance sheet, transactions and non-transactions, legal person and the Group. Secondly, the Bank strengthened the advance management of market risks, established the access management system for investment transaction products, standardised the definition of investment transaction products, clearly defined the process of product access approval and post-evaluation management, fully sorted out existing products, and released the catalogue of investment transaction products. Thirdly, the Bank advanced the execution of the new regulatory rules of FRTB in a proactive and orderly manner, so as to ensure the regulatory compliance of market risk capital measurement after the implementation of Basel III, elevate the quality of market risk data and advance the upgrading of

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the market risk management system. Fourthly, the Bank perfected the fair value valuation system of financial instruments, completed the valuation management system, and continued to optimise the valuation model plans. Fifthly, under the comprehensive, compliant, balanced and matched principles, the Bank further perfected the market risk limit system, strengthened total volume control, guided the reasonable allocation of market risk capital, and refined the granularity of limit indicators, realising the precise allocation of risk factors by segment, class and institution. Sixthly, the Bank enhanced the coordinated management of market risk and other relevant risks, strengthened the coordination and monitoring of the second line of defense over liquidity risk and interest rate risk in banking book, elevated the coordination of valuation by front, middle and back offices in terms of model, procedure and data, and enhanced the monitoring on profit and loss and the evaluation and examination on portfolio of on-balance sheet investment business.

(IV) Operational risk management

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and IT system or external events. The major operational risk of the Bank comprises internal and external fraud, employment system, safety of working places, and events related to customers, products and operation, damages of tangible assets, interruption of business, paralysis of IT system and management of execution, transfer and processes. During the Reporting Period, the Bank proactively guarded against and responded to various operational risks through full identification, continuous monitoring, and examination and evaluation, and controlled the loss ratio of operational risks within the risk limit set by the Board.

During the Reporting Period, the Bank firstly enhanced the integration of the management of operational risks and internal control, and continued to optimise the operational risk management system. The Bank enhanced the prevention and control of operational risks in key fields, put in place the advance identification mechanism, and conducted the examination of key monitoring indicators. The Bank promoted the implementation of new standards for operational risks of Basel III, and optimised the management mechanism for capital measurement and loss data. The Bank upgraded the functions of the operational risk management system, and sped up the online intelligent transformation of management tools. Secondly, the Bank continued to enhance business continuity management, and enhanced the financial service capability in case of emergencies. The Bank perfected the decision-making mechanism for the management of business continuity and emergency response, improved the organisational framework for the daily management of business continuity and emergency response, and put in place the financial service management system for responding to emergencies. The Bank conducted emergency drills for important businesses to ensure their steady operation during regular pandemic prevention and control, extreme weather and other periods. Thirdly, the Bank strengthened the full-process control of outsourcing risks to improve the quality and efficiency of outsourcing services. The Bank released opinions on the management standard for business outsourcing, strictly controlled critical links of outsourcing activities, and enhanced risk review on project approval and access, hence strengthening the management of outsourcing service process and service providers.

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(V) Liquidity risk management

Liquidity risk refers to the risk of a commercial bank which is unable to obtain sufficient funds in a timely manner or to cope with increase in assets or fulfill debt obligations at reasonable costs. The Bank continues to improve its capability of identifying, measuring, monitoring, controlling and mitigating liquidity risks by establishing a scientific organisational structure for liquidity risk management, delineating liquidity risk management responsibilities and formulating effective liquidity management systems, processes, strategies and policies.

During the Reporting Period, the Bank followed the bottom line constraint of liquidity risks, adhered to prudent liquidity risk preference, closely monitored the changes in economic and financial situation, monetary regulatory policies and market liquidity, proactively judged and predicted future trends, enhanced monitoring frequency and preciseness, continued to improve the active management capability, maintained the monitoring indicators of liquidity risks within a reasonable range, and achieved a safe and stable status of daytime liquidity risks. Firstly, the Bank optimised the liquidity risk governance framework, and promoted the independent evaluation and efficient coordination of the three lines of defense for risk management in terms of liquidity risk management. Secondly, the Bank improved the institutional framework, and optimised the risk management system in an orderly manner in light of the changes in internal and external conditions, providing a solid institutional foundation for the compliant management of liquidity risks. Thirdly, the Bank promoted the construction of customer foundation, guided the growth of core liabilities, strictly enhanced the term limit management of interbank debts, raised funds from multiple channels and in an all-round manner, increased the sources of stable liabilities and improved liability structure. Fourthly, the Bank strengthened the management of high-quality liquid assets, steadily conducted the allocation of eligible, high-quality bond assets, and promoted the improvement in the quantity and quality of high-quality liquid assets. Fifthly, the Bank enhanced liquidity risk early warning and management, improved stress test system and tool support, regularly conducted emergency drills for liquidity risks, and improved its capability in risk identification and emergency prevention. Sixthly, the Bank optimised system analysis and predictive function, and improved system support for risk management decision-making.

(VI) Country risk management

Country risk refers to the risk of borrower or debtor in a certain country or region failing or unwilling to repay debts to banking financial institutions, or banking financial institutions suffering from commercial losses in a country or region or incurring other losses due to economic, political and social changes and incidents in such country or region. In strict accordance with the regulatory requirements, the Bank integrates country risk management into the comprehensive risk management system, under which the Board assumes the ultimate responsibility for monitoring the effectiveness of country risk management, and the Senior Management is responsible for executing the country risk management policies approved by the Board.

During the Reporting Period, the Bank took into full account the impacts of the development and evolution of the pandemic on the political, economic and social environment of major economies, further improved the country risk management system, and elevated the level of precise management. Firstly, the Bank re-examined the rating and limit of country risk, divided country risk into five grades, namely low, relatively low, medium, relatively high and high country risk in compliance with the regulatory provisions,

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and practised classified management. The Bank verified the annual limit of country risk in accordance with the rating results of country risk, economic development and business demands of relevant countries, and adjusted the limit of country risk in a dynamic manner based on the changes in country risk. Secondly, the Bank optimised the management system, realising the transformation of the monitoring method of country risk limit of corporate loans from manual monitoring to systematic and rigid control. Thirdly, the Bank completed the annual stress test of country risk, measured and calculated the loss results of country risk under the scenario of downgraded ratings of different countries, simulated the loss impacts of country risk the Bank may encounter, and came up with management response strategies.

(VII) Management of interest rate risk in banking book

Interest rate risk in banking book refers to the adverse changes in the level of interest rate, maturity structure and other factors which lead to loss on the economic value and overall revenue of banking book, primarily caused by the mismatch of the maturity structure and benchmark rates between financial positions and instruments of the whole banking book as well as embedded options. It can be classified into gap risk, benchmark risk and option risk according to the risk categories.

During the Reporting Period, the Bank followed prudent and steady risk preference, and comprehensively enhanced the management of interest rate risk in banking book, so as to ensure the steady operation of core risk indicators and promote the stability of risk factors. Firstly, the Bank enhanced the identification, measurement, monitoring and control system for interest rate risk in banking book, comprehensively adopted repricing gap analysis, duration analysis, sensitivity analysis, stress test and other methods to analyse and monitor risks, closely followed interest rate changes in external market and changes in internal business structure, enhanced forward-looking judgment, and adjusted asset-liability structure and term management strategy in a dynamic manner, so as to ensure the steady operation of indicators of interest rate risk in banking book. Secondly, the Bank improved the limit system and evaluation and supervision of interest rate risk in banking book, practised rigid and effective management in terms of term mismatching, proportion of investment account, duration and valuation fluctuation, so as to ensure that risk factors were kept at a steady level. Thirdly, the Bank optimised the functions of the asset-liability risk management system, improved management model and data governance, and enhanced the capability in risk data analysis and mining, so as to support data-based risk management decision-making.

(VIII) Reputation risk management

Reputation risk refers to the risk that stakeholders, the public, media and other parties negatively evaluate banking institutions due to the institutional behaviours, behaviours of practitioners or external events, etc., which then undermine the brand value, go against normal operation, and even affect market stability and social stability. The Bank regards reputation risk management as one of the major tasks to safeguard normal business development, create a harmonious public opinion environment, safeguard sound image in the industry and fulfill corporate citizenship responsibilities. By establishing and improving relevant governance framework, establishing and perfecting the full-process management system and working mechanism, the Bank promotes normalised development, proactively guards against and defuses reputation risk, effectively copes with and handles reputation events, reduces the negative impacts on relevant parties in a maximum manner, maintains, restores and improves the market image and brand reputation of the Bank, thus creating an enabling public opinion environment for the operation and development of the Bank.

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During the Reporting Period, firstly, the Bank benchmarked against the regulatory requirements to revise the reputation risk management system, and standardised management requirements. Secondly, the Bank enhanced the normalised management of reputation risks, monitored, judged, reported in a timely manner, proactively summarised, reviewed and made improvements, and rapidly restored and optimised corporate image. Thirdly, the Bank correctly evaluated potential threat of risk contagion to predict potential public opinion risks, deploy special monitoring, and formulate plans in advance. Fourthly, the Bank proactively defused reputation risk events by taking immediate actions to achieve effective results, thus minimising negative impacts. Fifthly, the Bank strove to publicise its efforts in integrating and serving national strategies, continued to increase support to the real economy, consolidated and expanded the achievements of poverty alleviation, accelerated "elderly-friendly" financial penetration, and promoted the outcome achieved in normalised pandemic prevention and control and business development in a coordinated manner.

(IX) IT risk management

IT risk refers to the operational, legal and reputation risk and other risks due to natural factors, human factors, technical flaws and management defects in relation to the IT application in a commercial bank.

During the Reporting Period, the Bank comprehensively promoted the implementation of digital finance strategy, perfected the IT governance system, and enhanced the integrated information security management of the Group, steadily improving the capabilities in identifying, evaluating, monitoring and controlling IT risk. Firstly, the Bank strengthened the deep integration of IT with business development and risk management, consolidated scenario-based ecosystem construction, and improved big data-based risk control capability and enterprise-level technological capability. Secondly, the Bank elevated the capabilities in the systematic management of production and operation and in safeguarding business continuity, enhanced the security protection of data centres, continued to promote the development and optimisation of disaster recovery system, and consolidated the foundation for work safety. Thirdly, the Bank optimised the compliance management system for information security, strengthened the full-life cycle management and control of development safety and data security, perfected the business security defense mechanism, and elevated the overall capability in protecting network security and information security. Fourthly, the Bank perfected the IT risk management mechanism, continued to conduct annual comprehensive risk evaluation, IT outsourcing and other special evaluation, carried out risk compliance examination in major fields, and improved the automatic level of risk monitoring, thus safeguarding the production and operation stability of the information system of the Bank.

(X) Legal risk management

Legal risk refers to the risk that the Bank may assume criminal, administrative and civil legal liabilities because it fails to abide by laws, administrative regulations, regulatory provisions, contractual agreements, or fails to properly exercise its rights or properly fulfill its obligations. The Bank has put in place a relatively perfect legal risk management system and mechanism, providing guarantee for the law-based and compliant operation of the Bank.

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During the Reporting Period, the Bank promoted the improvement of legal capability, comprehensively improved the legal risk management framework system, and promoted the safe development of businesses and effective prevention and control of risks. Firstly, the Bank deeply learned and implemented XI Jinping thought on the rule of law, followed the operation philosophy that legal and compliant operation is the core competitiveness, and fully integrated the rule of law into all operation and management process such as corporate governance, major decision-making, business operation, staff behaviour, and cultural development. Secondly, the Bank proactively implemented the provisions and requirements of laws and regulations, promoted the inclusion of the provisions of major laws such as the Civil Code《民法典》, Personal Information Protection Law《個人信息保護法》and Data Security Law《數據安全法》into business system and procedures, implemented them into business operation, and strengthened the policy and institutional guarantee for legal and compliant operation. Thirdly, the Bank improved the legal risk system and mechanism, perfected the advance legal review covering all operation and management activities such as rules and regulations, business projects and contract texts, established the standard contract text library covering all businesses, enhanced the guidance of legal norms, conducted legal risk evaluation and improvement, and strengthened legal risk prevention and control. Fourthly, the Bank put in place the handling mechanism for major prosecuted cases and legal risk events, effectively responded to and handled prosecuted cases and legal risk events, organised the retrospective rectification of issues of legal cases, and enhanced the normalised management of businesses. Fifthly, the Bank conducted the publicity and education of legal culture. The Bank formulated the Plan for Legal Publicity and Education (2021-2025)《法治宣傳教育規劃(2021-2025年)》, issued the Guide for Applying the Civil Code in Business Scenarios《民法典業務場景運用指南》and the Manual for Legal Bottom Lines of the Amendment to the Criminal Law《刑法修正案法律底線手冊》, organised the activity for all staff to learn and pass the test of the Civil Code, and conducted legal trainings in a classified and segmented manner, so as to enhance the legal capability throughout the Bank.

(XI) Compliance risk management

Compliance risk refers to the risk of possibly suffering from legal sanction, regulatory punishment, major financial loss and reputation loss due to the failure in abiding by laws, rules and norms. Compliance management is a core risk management practice of the Bank. The Bank comprehensively considers the relevance between compliance risk and credit risk, market risk, operational risk and other risks, establishes and improves the compliance management framework, and promotes the development of the comprehensive risk management system, thus ensuring legal and compliant operation.

During the Reporting Period, the Bank practised the philosophy that "compliant operation is the core competitiveness", constantly promoted the construction of various mechanisms for internal control, and continued to improve management quality and effectiveness. Firstly, the Bank organised the event of "Year of Internal Control Management (內控合規管理建設年)" throughout the Bank, conducted self-correction, self-examination and promoted rectification and accountability by focusing on main points of work, and continued to improve the long-term management mechanism for internal control. Secondly, the Bank reshaped the institutional system, established "four mechanisms" involving the management of internalising external regulations, development and process control of systems, compliance review of systems, and feedback on system execution, established the institutional system with three-layer efficacy hierarchy and four-level content classification, completed special screening on those "exceeding five years and two years

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(超5年、2年)", carried out formulation, revision and repeal of systems to fill in management gaps, and developed "two libraries and one system (兩庫一系統)", so as to ensure the execution of the spirits of central leadership, regulatory requirements and the management requirements, and create benefits via systems. Thirdly, the Bank perfected the accountability identification system, released due diligence and liability exemption management measures, and formulated matching detailed rules for key fields. The Bank laid down management measures for identifying the accountability for non-performing assets, promoted the advance identification of accountability for non-performing assets, and effectively connected with the off-duty loan collection mechanism. Fourthly, the Bank optimised the compliance examination and rectification mechanism, carried out special examinations on internal control, enhanced overall management of examinations, and reinforced rectification supervision, so as to promote the complete settlement of fundamental compliance issues. Fifthly, the Bank comprehensively strengthened the management and control of staff behaviour, released 150 prohibitive regulations on staff behaviour, explored and established the three-dimensional case prevention system, and promoted the development of grid management system for practitioners. The Bank conducted special rectification on the management of staff behaviour, carried out normalised monitoring of abnormal behaviour, intensified accountability of irregular behaviours, and gradually formed the tough stance of "full coverage, zero restricted areas and zero tolerance (全覆蓋、無禁區、零容忍)". Sixthly, the Bank conducted special rectification on equity and related-party transactions, enhanced the management of information of related parties, and strengthened corporate governance. Seventhly, the Bank advanced digital compliance transformation. The Bank conducted intelligent behaviour monitoring, released intelligent monitoring system of staff behaviour, established intelligent anti-money laundering system, improved the off-site examination system for internal control, etc., and empowered management.

(XII) Money laundering risk management

Money laundering risk refers to the risk that the Bank may be utilised by "money laundering activity", "financing of terrorism" and "diffusion financing" during business development and operating management. The Bank has established a relatively perfect system for managing money laundering risk, providing guarantee for the steady and compliant operation of the Bank.

During the Reporting Period, the Bank fully enriched the resource allocation of anti-money laundering posts, continued to improve the effectiveness of anti-money laundering management, and achieved significant results. Firstly, the Bank improved the institutional system for anti-money laundering management, and integrated money laundering risk into comprehensive risk management. Secondly, the Bank formulated and refined the anti-money laundering performance list of institutions at all levels, and enhanced the performance of anti-money laundering management. Thirdly, the Bank advanced the rectification of issues found in anti-money laundering examination and supervision in an orderly manner, and effectively addressed compliance issues. Fourthly, the Bank optimised the money laundering risk evaluation system of institutions, products and customers, and further improved the risk evaluation mechanism. Fifthly, the Bank continued to enhance the monitoring and control of major suspicious risks, conducted normalised screening and quality control of suspicious items, improved the screening level of subsidiaries in terms of suspicious transactions, and established the joint defense mechanism of money laundering clues. Sixthly, the Bank conducted studies on the topics and cases of money laundering risk, thoroughly identified the money laundering risk of businesses, released business risk warning, enhanced the coordination of the first and second lines of

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defense, and ensured the control of customer and business risks. Seventhly, the Bank increased input in anti-money laundering resources, added the allocation of human resources, and arranged over 2,000 staff to assume the professional posts of anti-money laundering throughout the Bank. The Bank launched the reconstruction of the new-generation anti-money laundering system, reshaped the rating system of money laundering risk of customers and the standard system for suspicious transaction monitoring, released three phases of AI monitoring model of suspicious transactions, and significantly elevated the effectiveness of early warning on suspicious transactions. Eighthly, the Bank conducted activities of anti-money laundering publicity month, and the Head Office organised the anti-money laundering knowledge competition, attracting over 18 million participation by the public. Branches also adopted many effective publicity means to elevate public awareness on anti-money laundering.

XIII. Prospects

(I) Layout and trend of the banking industry

Looking into the year of 2022, affected by the shocks of the pandemic, accelerating changes in the century, unsynchronised internal and external economic cycle and policy cycle, and other factors, China will face increasing economic downward pressure, and policies of stabilising growth will be put in a more prominent position, so as to expand final consumption and effective investment in a targeted manner, bringing new opportunities and new challenges to the development of banking business. The banking industry will proactively respond to the national policies, continue to improve the quality and efficiency in serving the real economy, enhance technology empowerment, constantly improve product and service system, comprehensively prevent and control risks, and strive to achieve an organic balance between stabilising growth and preventing risks.

Firstly, the banking industry will increase support to major fields and weak links, and enhance the capability of financial services. The banking industry will give strong support to the development of national major strategies and major engineering projects, and provide comprehensive financial services. The banking industry will exert efforts on inclusive finance, increase support to weak links, and constantly elevate the coverage, accessibility and convenience of financial services. The banking industry will proactively support the cultivation of dedicated, refined, distinctive and innovative enterprises, increase two-way support to coal cleaning and new energy industries, and improve sci-tech innovation and green financial services.

Secondly, the banking industry will speed up digital transformation, and make constant innovations in digital financial products and services. The banking industry will continue to advance digital transformation in terms of strategic planning, organisational framework, business process, data governance, talent structure and other aspects, build up the fundamental capabilities of fintech, and promote the online, digital and intelligent upgrading of product and service modes.

Thirdly, the banking industry will lay equal emphasis on supporting the real economy and preventing financial risks, and adhere to the bottom line of risks. The banking industry will keep enhancing risk awareness, strengthen the primary responsibility of risk control, always regard law-abidance and compliance as the basic bottom line of operation and management activities, firmly control capital adequacy ratio, allowance to NPLs, NPL ratio and other regulatory indicators, and constantly elevate risk management by further improving the risk management system, thereby safeguarding the healthy and continuous development of businesses.

CHAPTER 3 MANAGEMENT DISCUSSION AND ANALYSIS

(II) Potential risks

Currently, the pandemic situation and the political and economic landscape abroad are evolving rapidly, posing many uncertainties. China's macro economy also faces the triple pressures of "shrinking demands, supply shock and weakening expectation". Looking into the year of 2022, China's macro economy is expected to achieve steady growth in the policy portfolio of seeking progress in stability, and commercial banks will embrace vast development opportunities, but some possible risks deserve attention.

Firstly, the global pandemic evolution brings potential risks. As Europe and America gradually loose pandemic control, and speed up the resumption of production of industry chain, there will be complex impacts on the pandemic prevention and control across the globe and China's foreign trade export. Secondly, the shift of overseas monetary policies brings challenges. Alongside the increasing market expectation that the US Federal Reserve reduces its balance sheet and raises interest rate, global stock market, bond market, exchange market, commodity market and other financial markets will face increasing volatility, and emerging markets will face the pressure of capital outflows, signifying growing difficulty in market risk management. Thirdly, domestic economy will still face structural pressure. Continuously imported pandemic cases from abroad will bring negative impacts on consumption of tourism, transportation, accommodation, catering and other services. High prices of raw materials and energy will incur operating pressure to midstream manufacturing industry and downstream small and micro enterprises. Some high energy-consuming industries will face the pressures of green upgrading and technical transformation. Fourthly, IT risk management will face challenges. As digital economy develops, business demands will demonstrate ever-evident diversification, flexibility and security features, bringing increasing requirements for information system security, data security, privacy protection and other aspects.

In view of the above-mentioned risks and challenges, the Bank will adhere to the overall philosophy of "prioritising stability, seeking progress in stability (穩字當頭、穩中求進)", support the development of the real economy, increase support to the NSOEs, medium, small and micro enterprises and manufacturing industry, serve stability on the six fronts (e.g. employment, financial operations, foreign trade, foreign investment, domestic investment and market expectations) and security in six areas (e.g. employment, people's livelihood, the development of market entities, food and energy security, stable operation of the industrial and supply chains and smooth functioning at the community level) ("六穩六保"), implement the strategic deployment including inclusive finance, green finance and rural revitalisation, while preventing and controlling various risks, so as to contribute the power of Minsheng to the high-quality growth of China's economy.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

I. Ordinary Shares

(I) Changes in ordinary shares

	31 December 2021		Changes over the Reporting Period	31 December 2020	
	Number of shares (share)	Percentage (%)	Number of shares (share)	Number of shares (share)	Percentage (%)
I. Shares subject to restriction on sales	-	-	-	-	-
1. State-owned shares	-	-	-	-	-
2. State-owned legal person shares	-	-	-	-	-
3. Other domestic shares	-	-	-	-	-
Of which: Held by domestic legal person	-	-	-	-	-
Held by domestic natural person	-	-	-	-	-
4. Foreign investor shares	-	-	-	-	-
Of which: Held by overseas legal person	-	-	-	-	-
Held by overseas natural person	-	-	-	-	-
II. Shares not subject to restriction on sales	43,782,418,502	100.00	-	43,782,418,502	100.00
1. Ordinary shares in RMB	35,462,123,213	81.00	-	35,462,123,213	81.00
2. Domestic listed foreign invested shares	-	-	-	-	-
3. Overseas listed foreign invested shares	8,320,295,289	19.00	-	8,320,295,289	19.00
4. Others	-	-	-	-	-
III. Total number of ordinary shares	43,782,418,502	100.00	-	43,782,418,502	100.00

(II) Shares subject to restriction on sales and restrictions

During the Reporting Period, no shareholder of the Bank held shares subject to restriction on sales.

II. Sufficiency of Public Float

According to the public information available to the Bank and to the knowledge of the Directors, the Bank has maintained sufficient public float as stipulated under the Hong Kong Listing Rules during the Reporting Period.

III. Issuance of Ordinary Shares

During the Reporting Period, the Bank did not issue new ordinary shares, and there were no changes in the total number and structure of the ordinary shares.

During the Reporting Period, the Bank had no employee shares.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

IV. Shareholders

(I) The table below sets out the top 10 shareholders of the Bank and their shareholdings:

Total number of holders of ordinary shares as at the end of the Reporting Period	435,689	Total number of holders of preference shares whose voting rights had been restored at the end of the Reporting Period	0
Total number of holders of ordinary shares as at the end of the month immediately prior to the disclosure of the Annual Report	430,758	Total number of holders of preference shares whose voting rights had been restored at the end of the month immediately prior to the disclosure of the Annual Report	0

Particulars of shareholding of the top 10 holders of ordinary shares

Name of shareholder	Type of shareholder	Shareholding percentage (%)	Number of shares held as at the end of the Reporting Period (share)	Changes over the Reporting Period (share)	Number of shares held subject to restriction on sales (share)	Shares pledged/marked/frozen	
						Status	Number (share)
HKSCC Nominees Limited	Others	18.92	8,284,641,066	683,862	-		Unknown
Dajia Life Insurance Co., Ltd. - Universal Product	Domestic legal person	10.30	4,508,984,567	0	-		Nil
Dajia Life Insurance Co., Ltd. - Traditional Product	Domestic legal person	6.49	2,843,300,122	0	-		Nil
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	Domestic non-state-owned legal person	4.31	1,888,530,701	0	-	Pledged	1,850,802,321
New Hope Liuhe Investment Co., Ltd.	Domestic non-state-owned legal person	4.18	1,828,327,362	0	-		Nil
China Oceanwide Holdings Group Co., Ltd.	Domestic non-state-owned legal person	4.12	1,803,182,618	-216,000,000	-	Pledged	1,799,582,617
Shanghai Giant Lifetech Co., Ltd.	Domestic non-state-owned legal person	3.15	1,379,679,587	0	-	Pledged	1,379,678,400
Huaxia Life Insurance Co., Ltd. - Universal Insurance Product	Domestic non-state-owned legal person	3.14	1,375,763,341	0	-		Nil
China Shipowners Mutual Assurance Association	Domestic non-state-owned legal person	3.02	1,324,284,453	0	-		Nil
Orient Group Incorporation	Domestic non-state-owned legal person	2.92	1,280,117,123	0	-	Pledged	1,270,709,488

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Shareholding of top 10 holders of ordinary shares not subject to restriction on sales

Name of shareholder	Number of shares held not subject to restriction on sales	Class of shares
HKSCC Nominees Limited	8,284,641,066	H Shares
Dajia Life Insurance Co., Ltd. – Universal Product	4,508,984,567	A Shares
Dajia Life Insurance Co., Ltd. – Traditional Product	2,843,300,122	A Shares
Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.	1,888,530,701	A Shares
New Hope Liuhe Investment Co., Ltd.	1,828,327,362	A Shares
China Oceanwide Holdings Group Co., Ltd.	1,803,182,618	A Shares
Shanghai Giant Lifetech Co., Ltd	1,379,679,587	A Shares
Huaxia Life Insurance Co., Ltd. – Universal Insurance Product	1,375,763,341	A Shares
China Shipowners Mutual Assurance Association	1,324,284,453	A Shares
Orient Group Incorporation	1,280,117,123	A Shares
Statement on the special accounts for repurchase of top 10 shareholders	Uninvolved	
Statement on entrusting, being entrusted with and waiving the voting rights of the aforesaid shareholders	Uninvolved	
Statement on the related relationship or concerted actions among the aforesaid shareholders	1. Dajia Life Insurance Co., Ltd. – Universal Product and Dajia Life Insurance Co., Ltd. – Traditional Product have the same legal person; 2. Save as mentioned above, the Bank is not aware of any related relationship or concerted action among the above shareholders.	

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Notes:

1. The number of shares held by holders of H shares was recorded in the register of members as kept by the H Share registrar of the Company;

2. HKSCC Nominees Limited acted as an agent representing the total amount of H shares of the Bank held by all institutional and individual investors that registered in the account of such investors as at 31 December 2021;

3. On 29 April 2021, Huaxia Life Insurance Co., Ltd. entered into the Termination Agreement to the acting in concert agreement with Orient Group Incorporation and Orient Group Co., Ltd., respectively, to terminate the respective relationship of parties acting in concert. From the date of execution of the Termination Agreement, there is no acting in concert arrangement between Huaxia Life Insurance Co., Ltd. and Orient Group Incorporation and between Huaxia Life Insurance Co., Ltd. and Orient Group Co., Ltd;

4. Shares pledged by China Oceanwide Holdings Group Co., Ltd. included 388,800,000 shares frozen after the pledge. On 16 March 2022, the 1,799,582,618 outstanding shares not subject to restriction on sales of the Bank held by China Oceanwide Holdings Group Co., Ltd. were under judicial freezing, judicial marking or waiting list freezing, of which, 1 share was under judicial freezing, 1,410,782,617 shares were under judicial marking, and 388,800,000 shares were under waiting list freezing;

5. On 2 March 2022, all the 1,280,117,123 outstanding shares not subject to restriction on sales of the Bank held by Orient Group Incorporation were under judicial freezing or judicial marking, of which, 9,407,635 shares were under judicial freezing and 1,270,709,488 shares were under judicial marking.

(II) Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Bank under Hong Kong laws and regulations

As at 31 December 2021, the following persons (other than the Directors, Supervisors and chief executives of the Bank) had the following interests or short position in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO and as the Bank is aware of:

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Dajia Life Insurance Co., Ltd.	A	Long position	Beneficial owner	7,352,284,689	1	20.73	16.79
	H	Long position	Beneficial owner	457,930,200	1	5.50	1.05
Dajia Insurance Group Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	7,352,284,689	1	20.73	16.79
	H	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	457,930,200	1	5.50	1.05

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
China Oceanwide Holdings Group Co., Ltd.	A	Long position	Beneficial owner	1,803,182,618	2 and 3	5.08	4.12
Oceanwide Group Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,803,182,618	2 and 3	5.08	4.12
Tohigh Holdings Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,803,182,618	2 and 3	5.08	4.12
New Hope Group Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	4 and 7	5.44	4.41
New Hope Liuhe Co., Ltd.	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,828,327,362*	4	5.16	4.18
New Hope Liuhe Investment Co., Ltd.	A	Long position	Beneficial owner	1,828,327,362*	4	5.16	4.18
LI Wei	A	Long position	Interest held by the corporation(s) controlled by the spouse of this substantial shareholder	1,930,715,189*	5 and 7	5.44	4.41
LIU Chang	A	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	1,930,715,189*	6 and 7	5.44	4.41

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Name of substantial shareholder	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant shares in issue (%)	Percentage of all the issued ordinary shares (%)
Oceanwide International Equity Investment Limited	H	Long position	Beneficial owner	604,300,950			
		Long position	Interest held by the corporation(s) controlled by this substantial shareholder	138,442,500			
				742,743,450*	8	8.93	1.70
		Short position	Beneficial owner	604,300,950	8	7.26	1.38
Alpha Frontier Limited	H	Long position	Beneficial owner	713,501,653	9 and 10	8.58	1.63
Chongqing Cibi Business Information Consulting Co., Ltd.	H	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	9 and 10	8.58	1.63
Giant Investment Co., Ltd.	H	Long position	Interest held by the corporation(s) controlled by this substantial shareholder	713,501,653	9 and 10	8.58	1.63

* As far as the Bank is aware, the above numbers of shares reflected the interests or short positions of the relevant substantial shareholders as at 31 December 2021. However, these numbers of shares were not reported in the disclosure forms completed by these substantial shareholders because the changes in their interests did not result in a disclosure obligation in accordance with SFO.

Notes:

1. Dajia Insurance Group Co., Ltd. was deemed to have interests in the 7,352,284,689 A shares and 457,930,200 H shares of the Bank by virtue of its control over 99.98% of the issued share capital of Dajia Life Insurance Co., Ltd.

   The interests that Dajia Insurance Group Co., Ltd. and Dajia Life Insurance Co., Ltd. held in the 7,352,284,689 A shares and 457,930,200 H shares, as set out in the above table, were from the same block of shares.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

2. The 1,803,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98.00% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. LU Zhiqiang (a Non-Executive Director of the Bank) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

   According to the SFO, Mr. LU Zhiqiang, Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd. were deemed to have interests in the 1,803,182,618 A shares held by China Oceanwide Holdings Group Co., Ltd. (Mr. LU Zhiqiang's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").

3. The interests that China Oceanwide Holdings Group Co., Ltd., Oceanwide Group Co., Ltd. and Tohigh Holdings Co., Ltd. held in the 1,803,182,618 A shares, as set out in the above table, were from the same block of shares.

4. The 1,930,715,189 A shares comprised 102,387,827 A shares directly held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares directly held by New Hope Liuhe Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while New Hope Liuhe Investment Co., Ltd. was held as to 25% and 75% of its issued share capital by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd., respectively. 24.86% and 29.08% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd., respectively.

   According to the SFO, New Hope Group Co., Ltd. was deemed to have interests in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. Meanwhile, New Hope Liuhe Co., Ltd. was also deemed to have interests in the 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd. As Mr. LIU Yonghao (a Non-Executive Director of the Bank) held 90.59% of the issued share capital of New Hope Group Co., Ltd., Mr. LIU Yonghao was deemed to be interested in the 1,930,715,189 A shares held by New Hope Group Co., Ltd. according to the SFO.

5. Ms. LI Wei is the spouse of Mr. LIU Yonghao (a Non-Executive Director of the Bank). According to the SFO, Ms. LI was deemed to have interests in the 1,930,715,189 A shares of the Bank in which Mr. LIU Yonghao had interests (Mr. LIU Yonghao's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").

6. Ms. LIU Chang held 9.41% of the issued share capital of New Hope Group Co., Ltd. (see note 4 above). According to the SFO, Ms. LIU was deemed to have interests in the 1,930,715,189 A shares of the Bank in which New Hope Group Co., Ltd. had interests. Ms. LIU Chang is the daughter of Mr. LIU Yonghao (a Non-Executive Director of the Bank).

7. The interests that New Hope Group Co., Ltd., Ms. LI Wei and Ms. LIU Chang held in the 1,930,715,189 A shares, as set out in the above table, were from the same block of shares.

8. The 742,743,450 H shares (Long position) comprised 604,300,950 H shares directly held by Oceanwide International Equity Investment Limited and 138,442,500 H shares directly held by Long Prosper Capital Company Limited, while the 604,300,950 H shares (Short position) (all of which were held through other unlisted derivatives) are directly held by Oceanwide International Equity Investment Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of Oceanwide International Equity Investment Limited. 89.80% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd. 68.49% of the issued share capital of Oceanwide Holdings Co., Ltd. was held by China Oceanwide Holdings Group Co., Ltd. 98% of the issued share capital of China Oceanwide Holdings Group Co., Ltd. was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. LU Zhiqiang (a Non-Executive Director of the Bank) held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

9. The 713,501,653 H shares (Long position) were held by Alpha Frontier Limited. 42.04% of the issued share capital of Alpha Frontier Limited was held by Chongqing Cibi Business Information Consulting Co., Ltd. (重慶賜比商務信息諮詢有限公司), which was wholly-owned by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. SHI Yuzhu (a Non-Executive Director of the Bank).

   According to the SFO, Mr. SHI Yuzhu, Giant Investment Co., Ltd. and Chongqing Cibi Business Information Consulting Co., Ltd. were deemed to have interests in the 713,501,653 H shares held by Alpha Frontier Limited (Mr. SHI Yuzhu's interests in shares are disclosed in this Annual Report in the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations").

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

10. The interests that Mr. SHI Yuzhu, Giant Investment Co., Ltd., Chongqing Cibi Business Information Consulting Co., Ltd. and Alpha Frontier Limited held in the 713,501,653 H shares, as set out in the above table, were from the same block of shares.

Save as disclosed above and the section headed "Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations", the Bank is not aware of any other person having any interests or short positions in the shares and underlying shares of the Bank as at 31 December 2021 as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO.

(III) Controlling shareholder and ultimate controller

The Bank does not have any controlling shareholder or ultimate controller. According to the Rules Governing the Listing of Stocks on Shanghai Stock Exchange《上海證券交易所股票上市規則》, the largest shareholder and its ultimate controller shall comply with corporate governance regulations by referring to the requirements for controlling shareholder or ultimate controller. As at the end of the Reporting Period, the top 10 single shareholders of the Bank held an aggregate of 43.06% of the Bank's shares. Dajia Life Insurance Co., Ltd. – Universal Product is the single largest shareholder who held 10.30% of the total shares of the Bank. There was no shareholder who could control more than half of the voting rights of the Board or at the general meetings in accordance with the shareholding percentage, the Articles of Association or any agreements.

(IV) Other corporate shareholders with 10% or more equity in the Bank and changes in their shareholdings

As at the end of the Reporting Period, Dajia Life Insurance Co., Ltd. held 10% or more of the total shares of the Bank.

Name of corporate shareholder	Person-in-charge or legal representative	Date of incorporation	Registered capital	Principal business or management activities
Dajia Life Insurance Co., Ltd.	HE Xiaofeng	23 June 2010	RMB30.79 billion	Various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

(V) Substantial shareholders

1. Substantial shareholders with aggregate shareholding of 5% or more of the Bank were as follows:

(1) Dajia Life Insurance Co., Ltd.: It was incorporated on 23 June 2010; its registered capital was RMB30,790 million; its unified social credit code is 91110000556828452N; its legal representative is HE Xiaofeng; its controlling shareholder is Dajia Insurance Group Co., Ltd.; the controlling shareholder and the ultimate controller of Dajia Insurance Group Co., Ltd. is China Insurance Security Fund Co., Ltd.; its principal business includes: various life insurance businesses such as life insurance, health insurance and accidental injury insurance, reinsurance of the above insurance businesses, insurance fund application business permitted under the PRC laws and regulations, and other businesses approved by the former CIRC. As at the end of the Reporting Period, no shares of the Bank held by Dajia Life Insurance Co., Ltd. were pledged.

(2) China Oceanwide Holdings Group Co., Ltd.: It was incorporated on 7 April 1988; its registered capital was RMB20,000 million; its unified social credit code is 911100001017122936; its legal representative is LU Zhiqiang; its controlling shareholder is Oceanwide Group Co., Ltd.; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide International Investment Company Limited, Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited; its principal business includes: finance, real estate and investment management, etc. As at the end of the Reporting Period, China Oceanwide Holdings Group Co., Ltd. had pledged over 50% of the ordinary shares of the Bank it held, being 1,799,582,617 ordinary shares, representing 4.11% of the total share capital of the Bank. Of which, 388,800,000 ordinary shares were under judicial freezing, representing 0.89% of the total share capital of the Bank.

China Oceanwide International Investment Company Limited: It was incorporated on 15 October 2008; its registered capital was HKD1,548,058,790; its controlling shareholder is China Oceanwide Holdings Group Co., Ltd.; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., Oceanwide International Equity Investment Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, China Oceanwide International Investment Company Limited had pledged over 50% of the ordinary shares of the Bank it held, being 8,237,520 ordinary shares, representing 0.02% of the total share capital of the Bank.

Oceanwide International Equity Investment Limited: It was incorporated on 17 March 2016; its registered capital was USD50.0 thousand; its controlling shareholder is Wuhan CBD (Hong Kong) Company Limited; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, Oceanwide International Equity Investment Limited had pledged over 50% of the ordinary shares of the Bank it held, being 604,300,950 ordinary shares, representing 1.38% of the total share capital of the Bank.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Long Prosper Capital Company Limited: It was incorporated on 31 August 2016; its registered capital was USD50.0 thousand; its controlling shareholder is Oceanwide International Equity Investment Limited; its ultimate controller is LU Zhiqiang; its ultimate beneficiaries are LU Zhiqiang and Oceanwide Foundation; its parties acting in concert are China Oceanwide Holdings Group Co., Ltd., China Oceanwide International Investment Company Limited and Oceanwide International Equity Investment Limited; its principal business includes: investment holding, etc. As at the end of the Reporting Period, Long Prosper Capital Company Limited had pledged over 50% of the ordinary shares of the Bank it held, being 138,442,500 ordinary shares, representing 0.32% of the total share capital of the Bank.

2. In Accordance with the Interim Measures on Equity Management of Commercial Banks (《商業銀行股權管理暫行辦法》) under the order of the former CBRC (2018 No. 1), other substantial shareholders of the Bank were as follows:

(1) Shanghai Giant Lifetech Co., Ltd.: It was incorporated on 12 July 1999; its registered capital was RMB245,400,640; its unified social credit code is 913101041346255243; its legal representative is WEI Wei; its controlling shareholder is Giant Investment Co., Ltd.; its ultimate controller is SHI Yuzhu; its ultimate beneficiary is SHI Yuzhu; its parties acting in concert are Alpha Frontier Limited and Liberal Rise Limited; its principal business includes: production and sales of food (through its subsidiaries), sales of cosmetics, cleaning products, healthcare equipment and kitchenware, technical development, consultancy services and transfer in healthcare food aspect, wholesale of non-physical goods; pre-packaged food (excluding cooked or braised and refrigerated or frozen food), investment management, asset management, investment consultancy, business information consultancy and business management consultancy. As at the end of the Reporting Period, Shanghai Giant Lifetech Co., Ltd. had pledged over 50% of the ordinary shares of the Bank it held, being 1,379,678,400 ordinary shares, representing 3.15% of the total share capital of the Bank.

Alpha Frontier Limited: It was incorporated on 24 June 2016; its registered capital was USD50.0 thousand; its controlling shareholder is Chongqing Cibi Business Information Consulting Co., Ltd.; its ultimate controller is SHI Yuzhu; its ultimate beneficiaries are SHI Yuzhu and SHI Jing; its parties acting in concert are Shanghai Giant Lifetech Co., Ltd. and Liberal Rise Limited; its principal business includes: investment holding. As at the end of the Reporting Period, Alpha Frontier Limited had pledged over 50% of the H shares of the Bank it held, being 713,501,653 H shares, representing 1.63% of the total share capital of the Bank.

Liberal Rise Limited: It was incorporated on 9 January 2018; its registered capital was USD50.0 thousand; its controlling shareholder is Abhaya Limited; its ultimate controller is SHI Jing; its ultimate beneficiary is SHI Jing; its parties acting in concert are Shanghai Giant Lifetech Co., Ltd. and Alpha Frontier Limited; its principal business includes: investment holding. As at the end of the Reporting Period, the shares of the Bank held by Liberal Rise Limited had not been pledged.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

(2) New Hope Liuhe Investment Co., Ltd.: It was incorporated on 25 November 2002; its registered capital was RMB576,555,600; its unified social credit code is 91540091744936899C; its legal representative is WANG Pusong; its controlling shareholder is New Hope Liuhe Co., Ltd.; its ultimate controller is LIU Yonghao; its ultimate beneficiary is LIU Yonghao; its party acting in concert is South Hope Industrial Co., Ltd.; its principal business includes: venture capital investment, investment management, financial advisory, wealth management consultancy, corporate reorganisation consultancy, market research, credit investigation, technology development and transfer, and technology consultancy services, etc. As at the end of the Reporting Period, the shares of the Bank held by New Hope Liuhe Investment Co., Ltd. had not been pledged.

South Hope Industrial Co., Ltd.: It was incorporated on 17 November 2011; its registered capital was RMB1,034,313,725; its paid-up registered capital was RMB951,438,725; its unified social credit code is 9154009158575152X0; its legal representative is LI Jianxiong; its controlling shareholder is New Hope Group Co., Ltd.; its ultimate controller is LIU Yonghao; its ultimate beneficiary is LIU Yonghao; its party acting in concert is New Hope Liuhe Investment Co., Ltd.; its principal business includes: research and development of feeds, wholesale and retail, electronic products, hardware and electrical appliances, daily sundry goods, textiles, office equipment (excluding colour copier), building materials (excluding hazardous chemicals and wood materials), agricultural by-products and special products (excluding products specified by the State), chemical products (excluding hazardous chemicals), mechanical equipment, investment and consultancy services (excluding intermediary services). As at the end of the Reporting Period, the shares of the Bank held by South Hope Industrial Co., Ltd. had not been pledged.

(3) Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.: It was incorporated on 23 May 2007; its registered capital was RMB2,574,162,500; its unified social credit code is 91500000660887401L; its legal representative is LIU Qinqin; its largest shareholder is Tongfang Financial Holding (Shenzhen) Co., Ltd., a wholly-owned subsidiary of Tongfang Co., Ltd., a subsidiary controlled by CNNC Capital Holding Co., Ltd.; it has no controlling shareholder; it has no ultimate controller; its ultimate beneficiary is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its party acting in concert is Chongqing International Trust Company Limited; its business includes: transportation facilities maintenance; engineering management services; standardisation services; planning and design management; corporate headquarters management; corporate management; management services of commercial complex; international project contracting; property management; investments with its own funds (excluding financial businesses such as accepting public deposits or accepting public deposits in any form, extending loans or securities and futures); consultancy services in relation to investment information and policies for its related party companies; planning and consultancy services in relation to corporate restructuring and merger and acquisition (businesses that require pre-approvals according to laws shall operate only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. had pledged over 50% of the ordinary shares of the Bank it held, being 1,850,802,321 ordinary shares, representing 4.23% of the total share capital of the Bank.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Chongqing International Trust Company Limited: It was incorporated on 22 October 1984; its registered capital was RMB15,000 million; its unified social credit code is 91500000202805720T; its legal representative is WENG Zhenjie; its controlling shareholder is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd; it has no ultimate controller; its ultimate beneficiary is Chongqing International Trust Company Limited; its party acting in concert is Tsinghua Tongfang Guoxin Investment Holding Co., Ltd.; its principal business includes: funds trust, chattel trust, real estate trust, negotiable securities trust, other properties or property rights trusts; investment fund business as a promoter of investment fund or fund management companies; providing asset reorganisation, mergers and acquisitions, project financing, corporate wealth management, financial advisory and other services of enterprises; securities underwriting business approved by the relevant authorities of the State Council; intermediary business, consultancy, credit investigation; safe custody and safe deposits box business; use of inherent properties as balance with banks and other financial institutions, placements with banks and other financial institutions, loans, leasing and investment; providing collateral for others with inherent properties; interbank lending, and other businesses permitted under the laws and regulations and approved by the CBIRC. Above scope includes businesses denominated in RMB and foreign currencies. As at the end of the Reporting Period, the shares of the Bank held by Chongqing International Trust Company Limited had not been pledged.

(4) China Shipowners Mutual Assurance Association: It was incorporated on 1 January 1984; its registered capital was RMB100,000; its unified social credit code is 51100000500010993L; its legal representative is SONG Chunfeng; it has no controlling shareholder; it has no ultimate controller; it has no ultimate beneficiary; it has no party acting in concert; its principal business includes: marine mutual assurance, business training, marine information exchange, international cooperation and consultancy service. As at the end of the Reporting Period, the shares of the Bank held by China Shipowners Mutual Assurance Association had not been pledged.

(5) Orient Group Incorporation: It was incorporated on 16 August 1989; its registered capital was RMB3,714,576,124; its unified social credit code is 91230199126965908A; its legal representative is SUN Mingtao; its controlling shareholder is Orient Group Co., Ltd.; its ultimate controller is ZHANG Hongwei; its ultimate beneficiary is ZHANG Hongwei; its party acting in concert is Orient Group Co., Ltd.; its principal business includes: permitted items: food production (through its subsidiaries), grain processing and food production (through its subsidiaries), bean product manufacturing (through its subsidiaries), operation of crop seeds (through its subsidiaries), employment agency activities. General items: grain procurement, import and export of goods, import and export of technologies, international project contracting, property management, sales of light building materials, sales of building materials, sales of construction machines, sales of furniture, wholesale of hardware and electrical appliances, sales of sanitary wares, sales of metal materials, technology research and development of new materials, sales of grain, plantation of grain (through its subsidiaries), corporate headquarters management, primary processing of edible agricultural products (through its subsidiaries). As at the end of the Reporting Period, Orient Group Incorporation had pledged over 50% of the ordinary shares of the Bank it held, being 1,270,709,488 ordinary shares, representing 2.90% of the total share capital of the Bank.

CHAPTER 4 CHANGES IN SHARE CAPITAL AND INFORMATION ON SHAREHOLDERS

Orient Group Co., Ltd.: It was incorporated on 26 August 2003; its registered capital was RMB1,000 million; its unified social credit code is 911100007541964840; its legal representative is ZHANG Xianfeng; its ultimate controller is ZHANG Hongwei; its party acting in concert is Orient Group Incorporation; its principal business includes: project investment, investment management, real estate development, agent import and export, import and export of goods, economic and trade consultation, etc. As at the end of the Reporting Period, Orient Group Co., Ltd. had pledged over 50% of the ordinary shares of the Bank it held, being 35,000,000 ordinary shares, representing 0.08% of the total share capital of the Bank.

(6) Good First Group Co., Ltd.: It was incorporated on 2 May 1995; its registered capital was RMB133 million; its unified social credit code is 91310000612260305J; its legal representative is WU Di; its controlling shareholder is WONG Hei; its ultimate controller is WONG Hei; its ultimate beneficiary is WONG Hei; its parties acting in concert are Tibet Rong Jie Corporate Management Co., Ltd., Tibet Fuju Investment Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes: research, development and sale of high-tech products; industrial investment; investments in education, agriculture, secondary industry, entertainment industry and healthcare products; sales of photographic equipment and new-type construction materials; wholesale and retail of chemicals (excluding hazardous chemicals and chemicals subject to supervision and control), textiles, hardware and electrical appliances, daily sundry goods, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and telecommunication devices and mineral products approved by the country. As at the end of the Reporting Period, Good First Group Co., Ltd. had pledged over 50% of the ordinary shares of the Bank it held, being 246,180,000 ordinary shares, representing 0.56% of the total share capital of the Bank.

Tibet Rong Jie Corporate Management Co., Ltd.: It was incorporated on 26 December 2014, its registered capital was RMB10 million; its unified social credit code is 915401953213242171; its legal representative is CHEN Zhenling; its ultimate controller is WONG Hei; its ultimate beneficiary is WONG Hei; its parties acting in concert are Good First Group Co., Ltd., Tibet Fuju Investment Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes corporate management service (other than investment management and investment consulting); service of corporate image, marketing and brand planning, exhibition and display service, market research (other than those involve state secrets and personal privacy), retail of building materials and ancillary materials, and metal materials; sales of feed, fertilisers, rubber products, chemical materials (excluding hazardous chemical products and precursor chemicals), investment on medical industry (excluding the engagement of equity investment business, excluding raising public fund, accepting public deposits, and extending loans, excluding public trading of security investment products or financial derivative products and excluding businesses in relation to financial products, wealth management products and relevant derivatives) (businesses that require pre-approvals according to laws shall operate only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Rong Jie Corporate Management Co., Ltd. had pledged over 50% of the ordinary shares of the Bank it held, being 145,600,000 ordinary shares, representing 0.33% of the total share capital of the Bank.

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Tibet Fuju Investment Co., Ltd.: It was incorporated on 3 May 2016, its registered capital was RMB300 million; its unified social credit code is 91540195MA6T1A2K32; its legal representative is WU Di; its ultimate controller is WONG Hei; its ultimate beneficiary is WONG Hei; it is a wholly-owned sub-subsidiary of Good First Group Co., Ltd.; its parties acting in concert are Good First Group Co., Ltd., Tibet Rong Jie Corporate Management Co., Ltd. and Tibet Heng Xun Corporate Management Co., Ltd.; its principal business includes investments in commercial, agricultural, medical, entertainment and education industries (excluding trust, financial asset management and securities asset management business, and excluding securities, insurance, fund and financial businesses and relevant restricted businesses) (businesses that require pre-approvals according to laws shall operate only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Fuju Investment Co., Ltd. had pledged over 50% of the ordinary shares of the Bank it held, being 297,600,000 ordinary shares, representing 0.68% of the total share capital of the Bank.

Tibet Heng Xun Corporate Management Co., Ltd.: It was incorporated on 26 December 2014, its registered capital was RMB10 million; its unified social credit code is 91540195321324233N; its legal representative is HONG Zhihua; its ultimate controller is WONG Hei; its ultimate beneficiary is WONG Hei; its parties acting in concert are Good First Group Co., Ltd., Tibet Rong Jie Corporate Management Co., Ltd. and Tibet Fuju Investment Co., Ltd.; its principal business includes service of corporate image, marketing and brand planning, exhibition and display service, market research (other than those that involve state secrets and personal privacy), retail of building materials and ancillary materials, and sales of feeds and raw materials, chemical fertilisers, rubber products, chemical materials (other than hazardous chemical products and precursor chemicals), and metal materials (businesses that require pre-approvals according to laws shall operate only upon approvals from the relevant authorities). As at the end of the Reporting Period, Tibet Heng Xun Corporate Management Co., Ltd. had pledged over 50% of the ordinary shares of the Bank it held, being 105,300,000 ordinary shares, representing 0.24% of the total share capital of the Bank.

CHAPTER 5 INFORMATION ON PREFERENCE SHARES

I. Issuance and Listing of Preference Shares in the Past Three Years

For the purpose of improving capital structure of the Bank, providing capital support to the implementation of all strategies, improving capital adequacy ratio and promoting continuous development, pursuant to the approval by the former CBRC (Yin Jian Fu [2016] No. 168) (銀監復〔2016〕168號) and the approval by the CSRC (Zheng Jian Xu Ke [2019] No. 1158) (證監許可〔2019〕1158號), the Bank issued preference shares (preference shares name: Minsheng Preference 1; code: 360037) in the amount of 200,000,000 shares to qualified investors on 15 October 2019 through a private offering in the domestic market. The nominal value of the preference shares was RMB100 per share and the preference shares were issued at par with a coupon rate of 4.38%, and the proceeds amounted to RMB20,000 million in total. The net proceeds raised from the domestic preference shares issuance were approximately RMB19,970 million, after deduction of issuance expenses, all of which will be used for replenishment of the other tier 1 capital of the Bank. The use of proceeds was as stated in the prospectus, details of which are set out in the Special Report on Deposit and Actual Use of Proceeds from 2019 Domestic Non-Public Issuance of Preference Shares of China Minsheng Banking Corp., Ltd. 《中國民生銀行股份有限公司2019年度境內非公開發行優先股募集資金存放與實際使用情況專項報告》 issued by the Bank on 31 March 2020. On 24 October 2019, the Bank completed the procedures for registration and depository with China Securities Depository and Clearing Corporation Limited (Shanghai Branch) for the domestic non-public issuance of 200,000,000 preference shares, and the shares were listed for transfer on the SSE on 8 November 2019.

For details of the issuance terms of the preference shares, please refer to the announcements of the Bank published on the website of the SSE, the HKEXnews website of the SEHK and the website of the Bank.

II. Repurchase or Conversion of Preference Shares

The Bank successfully issued non-cumulative, perpetual offshore preference shares in the amount of USD1,439 million on 14 December 2016, which were listed on the SEHK. The second extraordinary meeting of the eighth session of the Board considered and approved the Proposal on Exercising the Redemption Option of Offshore Preference Shares of China Minsheng Banking Corp., Ltd. 《關於中國民生銀行股份有限公司行使境外優先股贖回權的議案》 on 4 August 2021, which approved the redemption of all the offshore preference shares of the Bank. The Bank received the reply from the CBIRC on 10 September 2021, which did not object the redemption. In accordance with the terms and conditions for the offshore preference shares, the Bank used the total amount of 100% of the existing aggregate par value of offshore preference shares and the declared but undistributed dividends as at the redemption date in the current interest period (the "dividends") to redeem all the offshore preference shares on 14 December 2021. The redemption price of all the offshore preference shares was: 100% of the existing aggregate par value of offshore preference shares, i.e., USD1,439,000,000, and the dividends, i.e., USD71,230,500, added up to USD1,510,230,500. For details, please refer to the announcements of the Bank published on the website of the SSE, the website of the SEHK and the website of the Bank. After redeeming and writing off the said offshore preference shares, the Bank does not have any offshore preference shares issued.

During the Reporting Period, no preference shares of the Bank have been converted into ordinary shares.

III. Number of Holders of Preference Shares and Particulars of Shareholding

As at the end of the Reporting Period, the number of holders of preference shares (or nominees) of the Bank was 25. As at the end of the month prior to the disclosure date of this Annual Report (i.e. 28 February 2022), the number of holders (or nominees) of the preference shares of the Bank was 25.

CHAPTER 5 INFORMATION ON PREFERENCE SHARES

As at the end of the Reporting Period, particulars of shareholding of holder(s) (or nominees) of preference shares of the Bank with shareholding of 5% or more are set out as follows (the data below was based on the registered holders of preference shares as at 31 December 2021):

Name of shareholder	Type of shareholder	Class of shares	Changes over the Reporting Period	Shareholding percentage (%)	Total number of shares held (share)	Number of shares subject to restriction on sales held	Shares pledged/ marked/ frozen
CCB Trust Co., Ltd. – "Qian Yuan – Ri Xin Yue Yi" Open-Ended Wealth Management Single Fund Trust	Other	Domestic preference share	–	10.00	20,000,000	–	Nil
Bosera Fund – ICBC- Bosera – ICBC – Flexible Allocation No. 5 Specific MultiCustomer Assets Management Plan	Other	Domestic preference share	–	10.00	20,000,000	–	Nil
China Post & Capital Fund – Huaxia Bank – Huaxia Bank Co., Ltd.	Other	Domestic preference share	–	9.00	18,000,000	–	Nil
Hwabao Trust Co., Ltd. – Hwabao Trust – Bao Fu Investment No. 1 Collective Fund Trust Plan	Other	Domestic preference share	17,780,000	8.89	17,780,000	–	Nil
Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product	Other	Domestic preference share	–	7.00	14,000,000	–	Nil
Jiangsu International Trust Corporation Limited – JSITC – He Xiang Tian Li No. 1 Collective Fund Trust Plan	Other	Domestic preference share	12,220,000	6.11	12,220,000	–	Nil
China Life Insurance Company Limited – Traditional – General Insurance Product – 005L – CT001SH	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Funds	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Taiping Life Insurance Co., Ltd. – Traditional – General Insurance Product – 022L – CT001SH	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
Guotai Junan Securities Asset Management – Futong·Rixin H14001 RMB Wealth Management Product – Guojun Asset Management 0638 Targeted Asset Management Contract	Other	Domestic preference share	–	5.00	10,000,000	–	Nil
BOCOM Schroder Asset Management – BOCOM – BOCOM Schroder Asset Management Zhuoyuan No. 2 Collective Asset Management Plan	Other	Domestic preference share	–	5.00	10,000,000	–	Nil

CHAPTER 5 INFORMATION ON PREFERENCE SHARES

Notes:

1. The number of shares held by the holders of domestic preference shares was recorded in accordance with the register of holders of domestic preference shares of the Bank;

2. "Ping An Property & Casualty Insurance Company of China, Ltd. – Traditional – General Insurance Product" and "Ping An Property & Casualty Insurance Company of China, Ltd. – Self-Owned Funds" have the same legal person. Save as disclosed above, the Bank does not know if there is any related relationship or concerted action among the above holders of domestic preference shares or among the above holders of domestic preference shares and the top 10 shareholders of ordinary shares;

3. "Shareholding percentage" refers to the number of shares held by the holders of domestic preference shares as a percentage of the total number of domestic preference shares of the Bank.

IV. Distribution of Dividends of Preference Shares

The dividend of the preference shares of the Bank was payable in cash on an annual basis. Any fraction of dividends not paid to holders of preference shares will not be accumulated to the following dividend year. The holders of preference shares will receive dividends at the agreed coupon rate, and they shall not be entitled to participate in the distribution of remaining profit with holders of ordinary shares.

1. Offshore preference shares

Pursuant to the resolution and authorisation passed at the first extraordinary general meeting for 2016, the first A share class meeting for 2016 and the first H share class meeting for 2016, the dividend distribution plan for the offshore preference shares of the year was considered and approved at the second extraordinary meeting of the eighth session of the Board on 4 August 2021. According to the relevant terms of offshore preference shares, the annual dividend rate of offshore preference shares shall be 4.95%. According to relevant PRC laws and regulations, when the Bank distributes dividends of the offshore preference shares, it shall withhold and pay income tax at the rate of 10%. The Bank distributed dividends of USD79,145,000 to the holders of the Bank's offshore preference shares whose names appeared on the register of members on the record date on 14 December 2021, including USD71,230,500 actually paid to the holders of offshore preference shares and USD7,914,500 in withholding and paying income tax. The aforementioned dividends of the offshore preference shares amounted to approximately RMB511,711,998 based on the exchange rate on the date of declaration of such dividend distribution.

2. Domestic preference shares

Pursuant to the resolution and authorisation passed at the first extraordinary general meeting for 2016, the first A share class meeting for 2016 and the first H share class meeting for 2016, and the relevant resolutions on extending the validity period and authorisation period in 2017-2019, the dividend distribution plan for the domestic preference shares was considered and approved at the 12th meeting of the eighth session of the Board on 27 August 2021. According to the relevant terms of domestic preference shares and calculated at the coupon rate of 4.38%, a cash dividend of RMB4.38 (tax inclusive) per domestic preference share shall be distributed. On the basis of the 200 million domestic preference shares issued, the Bank distributed dividends of RMB876 million (tax inclusive) in total on 18 October 2021 to holders of domestic preference shares whose names appeared on the register of members on the record date.

CHAPTER 5 INFORMATION ON PREFERENCE SHARES

3. Distribution of dividends of preference shares in the past three years

(Unit: RMB million, except for percentage)

	2021		2020		2019	
	Dividend rate	**Amount of dividend distributed**	Dividend rate	Amount of dividend distributed	Dividend rate	Amount of dividend distributed
Offshore preference shares	**4.95%**	**512**	4.95%	521	4.95%	558
Domestic preference shares	**4.38%**	**876**	4.38%	876	–	–

Note: Amount of dividend distributed includes tax.

For details of the domestic and overseas distribution of dividends of the preference shares, please refer to the announcements of the Bank published on the website of the SSE, the HKEXnews website of the SEHK and the website of the Bank.

V. Recovery of Voting Rights of Preference Shares

During the Reporting Period, no voting rights of preference shares of the Bank have been restored.

VI. Accounting Policies for Preference Shares and the Underlying Reasons

According to the requirements promulgated by the Ministry of Finance, such as the Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments《企業會計準則第37號-金融工具列報》, there was no need for the issued and existing domestic preference shares of the Bank to be settled through delivery of cash or other financial assets or exchange of financial assets or financial liabilities. In the future, the Bank will have no obligation to deliver a variable quantity of its equity instruments. Therefore, the domestic preference shares are accounted as other equity instruments.

CHAPTER 6 ISSUANCE OF BONDS

As at the end of the Reporting Period, the Bank has issued, redeemed and settled the following outstanding bonds:

I. Subordinated Bonds in 2011

Pursuant to the approval by the former CBRC (Yin Jian Fu [2010] No. 625) (銀監復〔2010〕第625號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2011] No. 64) (銀市場許准予字〔2011〕第64號), the Bank issued a total of RMB10,000 million subordinated bonds through public offering in the national interbank bond market on 18 March 2011. As assessed by Dagong Global Credit Rating Co. Ltd., the credit rating of the subordinated bonds was AAA. Two types of subordinated bonds were issued for terms of 10 years and 15 years, respectively. Type I Bonds (bond name: 11 Minsheng 01; bond code: 1108001), having a term of 10 years and amounting to RMB6,000 million, were issued at the coupon rate of 5.50% and were early redeemed on 18 March 2016, while Type II Bonds (bond name: 11 Minsheng 02; bond code: 1108002), having a term of 15 years and amounting to RMB4,000 million, were issued at the coupon rate of 5.70%. The value date of 11 Minsheng 01 and 11 Minsheng 02 was 18 March 2011, and the settlement dates of 11 Minsheng 01 and 11 Minsheng 02 were 18 March 2016 and 18 March 2021, respectively.

These subordinate bonds granted the issuer a one-off early redemption option, that is, subject to the approval by the regulatory authorities of the banking industry, the Bank might exercise a one-off redemption of all or part of the bonds at par value after the expiry of the fifth year but before the maturity date of Type I Bonds or after the expiry of the tenth year but before the maturity date of Type II Bonds. The exercise of the early redemption option by the issuer is not subject to the consent of bond holders. According to applicable rules, the proceeds from the issuance of the bonds were fully used to enrich the supplementary capital of the Bank. Pursuant to the Capital Rules for Commercial Banks (Provisional) 《商業銀行資本管理辦法(試行)》 adopted by the former CBRC on 1 January 2013, the proceeds from the bonds were accounted as tier-two capital of the Bank based on required proportion. The use of the proceeds was as stated in the prospectus.

The Type I Subordinated Bonds of China Minsheng Banking Corp., Ltd. in 2011 were paid in 2016. On 15 January 2021, the Bank received the Opinion on the Early Redemption of Subordinated Bonds 《關於提前贖回次級債券意見的函》 issued by the CBIRC pursuant to which the exercise of early redemption of the Type II Subordinated Bonds of China Minsheng Bank in 2011 was approved. In accordance with the requirement, the Bank published the Announcement on Exercising the Redemption Option of the Issuer of the Type II Subordinated Bonds of China Minsheng Banking Corp., Ltd. in 2011 《2011年中國民生銀行股份有限公司次級債券品種二發行人贖回權行使公告》 on www.chinabond.com.cn, and the redemption of the Type II Subordinated Bonds of China Minsheng Bank in 2011 in the amount of RMB4,000 million was completed on 18 March 2021, and the interest for the year concerned amounting to RMB228 million was distributed to the bond investors.

CHAPTER 6 ISSUANCE OF BONDS

II. Tier-Two Capital Bonds in 2016

Pursuant to the approval by the former CBRC (Yin Jian Fu [2016] No. 119) (銀監復〔2016〕119號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2016] No. 116) (銀市場許准予字〔2016〕第116號), the Bank issued tier-two capital bonds (bond name: 16 Minsheng Tier-Two; bond code: 1628014) with a total amount of RMB20,000 million through public offering in the national interbank bond market on 30 August 2016. As assessed by Dagong Global Credit Rating Co., Ltd., the credit rating of the tier-two capital bonds was AAA. These tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 3.50%. The interest was payable on an annual basis. The value date of "16 Minsheng Tier-Two" was 31 August 2016, and the settlement date was 31 August 2021.

The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of Bank is in compliance with the capital regulation requirements of the regulatory authorities of the banking industry upon the exercise of redemption option, the Bank may, subject to the approval by the regulatory authorities of the banking industry, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Bank may exercise early redemption option, subject to the prevailing regulatory requirements at that time and approval of the regulatory authorities of the banking industry. The exercise of early redemption option by the Bank is not subject to the consent of bond holders. According to applicable rules, the proceeds from the issuance of the bonds were fully accounted as tier-two capital of the Bank. The use of the proceeds was as stated in the prospectus.

On 20 July 2021, the Bank received the Opinion on the Early Redemption of Tier-Two Capital Bonds《關於提前贖回二級資本債券意見的函》(Gu Fen Zhi Yin Hang Bu [2021] No. 94) (股份制銀行部〔2021〕94號) issued by the CBIRC, pursuant to which the exercise of early redemption of tier-two capital bonds by the Bank was approved. In accordance with the requirement, the Bank published the Announcement on Exercising the Redemption Option of the Issuer of the Tier-Two Capital Bonds of China Minsheng Bank in 2016《2016年中國民生銀行二級資本債發行人贖回權行使公告》on www.chinabond.com.cn. The redemption of the tier-two capital bonds of China Minsheng Bank in 2016 in the amount of RMB20,000 million was completed on 31 August 2021, and the interest for the year concerned amounting to RMB700 million was distributed to the bond investors.

III. Tier-Two Capital Bonds in 2017

Pursuant to the approval by the former CBRC (Yin Jian Fu [2017] No. 178) (銀監復〔2017〕178號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2017] No. 140) (銀市場許准予字〔2017〕第140號), the Bank issued the first tranche of tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2017 (bond name: 17 Minsheng Tier-Two 01; bond code: 1728016) with a total amount of RMB15,000 million and the second tranche of tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2017 (bond name: 17 Minsheng Tier-Two 02; bond code: 1728023) with a total amount of RMB15,000 million through public offering in the national interbank bond market on 12 September 2017 and 27 November 2017, respectively. As assessed by Dagong Global Credit Rating Co., Ltd., the credit ratings of the two tranches

CHAPTER 6 ISSUANCE OF BONDS

of tier-two capital bonds were both AAA. The two tranches of tier-two capital bonds were both issued for a term of 10 years with fixed coupon rate of 4.70%. The interest was payable on an annual basis.

The two tranches of tier-two capital bonds both granted the issuer a one-off early redemption option. As long as the capital level of the Bank is in compliance with the capital regulation requirements of the regulatory authorities of the banking industry upon the exercise of redemption option, the Bank may, subject to the approval by the regulatory authorities of the banking industry, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Bank may exercise early redemption option, subject to the prevailing regulatory requirements at that time and approval of the regulatory authorities of the banking industry. The exercise of early redemption option by the Bank is not subject to the consent of bond holders. The value dates of "17 Minsheng Tier-Two 01" and "17 Minsheng Tier-Two 02" were 14 September 2017 and 29 November 2017, respectively, and the settlement dates will be 14 September 2027 and 29 November 2027, respectively. If the Bank exercises the redemption option, the settlement dates of the bonds redeemed shall be the settlement dates identified in the redemption announcements. According to applicable rules, the proceeds from the issuance of the two tranches of bonds were fully accounted as tier-two capital of the Bank. The use of the proceeds was as stated in the prospectus.

On 14 September 2021, interest for the year concerned amounting to RMB705 million was distributed to the investors of "17 Minsheng Tier-Two 01" by the Bank. On 29 November 2021, interest for the year concerned amounting to RMB705 million was distributed to the investors of "17 Minsheng Tier-Two 02" by the Bank.

As at the end of the Reporting Period, the balance of the first tranche of tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2017 and second tranche of tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2017 was RMB30,000 million. During the Reporting Period, Dagong Global Credit Rating Co., Ltd. conducted the annual tracking and rating of the bonds and issued a corresponding report on 30 July 2021 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn).

IV. Special Financial Bonds for Small and Micro Enterprises in 2018

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2018] No. 189) (銀保監復〔2018〕189號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2018] No. 211) (銀市場許准予字〔2018〕第211號), the Bank issued the first and second tranches of special financial bonds for small and micro enterprises with a total amount of RMB60,000 million through public offering in the national interbank bond market on 19 November 2018 and 12 December 2018, respectively. As assessed by Dagong Global Credit Rating Co., Ltd., the credit ratings of the two tranches of financial bonds were AAA. The first tranche of the financial bonds of China Minsheng Bank in 2018 (bond name: 18 Minsheng Bank 01; bond code: 1828016), amounting to RMB40,000 million, was issued on 19 November 2018 for a term of three years with fixed coupon rate of 3.83%. The interest was payable on an annual basis. The second tranche of the financial

bonds of China Minsheng Bank in 2018 (bond name: 18 Minsheng Bank 02; bond code: 1828020), amounting to RMB20,000 million, was issued on 12 December 2018 for a term of three years with fixed coupon rate of 3.76%. The interest was payable on an annual basis. The value dates of "18 Minsheng Bank 01" and "18 Minsheng Bank 02" were 22 November 2018 and 14 December 2018, respectively, and the settlement dates were 22 November 2021 and 14 December 2021, respectively.

The proceeds from the issuance of the two tranches of bonds have been specifically used for extending loans to small and micro enterprises. The use of the proceeds was as stated in the prospectus.

In accordance with the requirements, the Bank published the Announcement on Interest Payment and Settlement of the First Tranche of Financial Bonds of China Minsheng Banking Corp., Ltd. in 2018 for the Year of 2021 《2018第一期中國民生銀行股份有限公司金融債券2021年付息兑付公告》 and the Announcement on Interest Payment and Settlement of the Second Tranche of Financial Bonds of China Minsheng Banking Corp., Ltd. in 2018 for the Year of 2021 《2018第二期中國民生銀行股份有限公司金融債券2021年付息兑付公告》 on www.chinabond.com.cn. The settlements of "18 Minsheng Bank 01" in the amount of RMB40,000 million and "18 Minsheng Bank 02" in the amount of RMB20,000 million were completed on 22 November 2021 and 14 December 2021, respectively, and the interests for the year concerned amounting to RMB1,532,000,000 and RMB752,000,000 were distributed to the investors of the two tranches of bonds by the Bank, respectively.

V. Tier-Two Capital Bonds in 2019

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2018] No. 469) (銀保監復〔2018〕469號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2019] No. 5) (銀市場許准予字〔2019〕第5號), the Bank issued the first tranche of tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2019 with a total amount of RMB40,000 million (bond name: 19 Minsheng Tier-Two 01; bond code: 1928002) through public offering in the national interbank bond market on 27 February 2019. As assessed by Golden Credit Rating International Co., Ltd., the credit rating of this tranche of tier-two capital bonds was AAA (please refer to www.chinabond.com.cn for details). This tranche of tier-two capital bonds was issued for a term of 10 years with fixed coupon rate of 4.48%. The interest shall be paid on an annual basis.

The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of the Bank is in compliance with the capital regulation requirements of the regulatory authorities of the banking industry upon the exercise of redemption option, the Bank may, subject to the approval by the regulatory authorities of the banking industry, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the Bank may exercise early redemption option, subject to the prevailing regulatory requirements at that time and approval of the regulatory authorities of the banking industry. The exercise of early redemption option by the Bank is not subject to the consent of bond holders. The value date of "19 Minsheng Tier-Two 01" was 1 March 2019, and the settlement date will be 1 March 2029. If the Bank exercises the redemption option, the

settlement date of the bonds redeemed is the settlement date identified in the redemption announcement. According to applicable rules, the proceeds from the issuance of the bonds were fully accounted as tier-two capital of the Bank. The use of the proceeds was as stated in the prospectus.

On 1 March 2021, interest for the year concerned amounting to RMB1,792 million was distributed to the bond investors by the Bank.

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2019 was RMB40,000 million. During the Reporting Period, Golden Credit Rating International Co., Ltd. conducted the annual tracking and rating of the bonds and issued a corresponding report on 25 June 2021 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn).

VI. Undated Capital Bonds in 2019

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2019] No. 485) (銀保監復〔2019〕485號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2019] No. 75) (銀市場許准予字〔2019〕第75號), the Bank issued the undated capital bonds of China Minsheng Banking Corp., Ltd. in 2019 in a total amount of RMB40,000 million (bond name: 19 Minsheng Perpetual Bond; bond code: 1928013) through public offering in the national interbank bond market on 30 May 2019. As assessed by Golden Credit Rating International Co., Ltd., the credit rating of the undated capital bonds was AAA (please refer to www.chinabond.com.cn for details). The undated capital bonds were write-down capital bonds with issuing coupon rate of 4.85%, subject to adjustment at different intervals. The bonds will continue to be outstanding so long as the issuer's business continues to operate. The coupon rate shall be adjusted every five years from the payment due date. The interest shall be paid at the same agreed rate in each adjustment period of coupon rate. The interest shall be paid on an annual basis. The issuer shall have a conditional redemption option of the bonds. After the expiry of five years from the date of issuance, the issuer shall have the right to redeem all or part of the bonds on the interest payment date of each year (inclusive of the interest payment date of the fifth year after the date of issuance). Upon the issuance of the bonds, in the event that the bonds are not classified as other tier-one capital bonds due to unpredictable changes in regulations, the issuer shall have the right to redeem the bonds fully instead of partly. The value date of 19 "Minsheng Perpetual Bond" was 4 June 2019. According to applicable rules, the proceeds from the issuance of the bonds were fully accounted as other tier-one capital of the Bank. The use of the proceeds was as stated in the prospectus.

On 4 June 2021, interest for the year concerned amounting to RMB1,940,000,000 was distributed to the bond investors by the Bank.

As at the end of the Reporting Period, the balance of the undated capital bonds of China Minsheng Banking Corp., Ltd. in 2019 was RMB40,000 million. During the Reporting Period, Golden Credit Rating International Co., Ltd. conducted the annual tracking and rating of the bonds and issued a corresponding report on 25 June 2021 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn).

CHAPTER 6 ISSUANCE OF BONDS

VII. First Tranche of Special Financial Bonds for Loans to Small and Micro Enterprises in 2020

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2018] No. 189) (銀保監復〔2018〕189號) and the approval by the PBOC in the administrative permit (Yin Shi Chang Xu Zhun Yu Zi [2018] No. 211) (銀市場許准予字〔2018〕第211號), the Bank practised book building on 18 March 2020, and issued the first tranche of special financial bonds for loans to small and micro enterprises of China Minsheng Banking Corp., Ltd. in 2020 with a total amount of RMB20,000 million (bond name: 20 Minsheng Small and Micro Enterprises Bond 01; bond code: 2028008) through public offering in the national interbank bond market on 20 March 2020. As assessed by Dagong Global Credit Rating Co., Ltd., the credit rating of the financial bonds was AAA (please refer to www.chinabond.com.cn for details). The financial bonds were issued for a term of three years with fixed coupon rate of 2.75%. The interest was payable on an annual basis. The value date of "20 Minsheng Small and Micro Enterprises Bond 01" was 20 March 2020, and the settlement date will be 20 March 2023.

The proceeds from the issuance of bonds will be specifically used for extending loans to small and micro enterprises. The use of the proceeds was as stated in the prospectus.

On 20 March 2021, interest for the year concerned amounting to RMB550,000,000 was distributed to the bond investors by the Bank.

As at the end of the Reporting Period, the balance of the first tranche of financial bonds of China Minsheng Banking Corp., Ltd. in 2020 was RMB20,000 million. During the Reporting Period, Dagong Global Credit Rating Co., Ltd. conducted the annual tracking and rating of the bonds and issued a corresponding report on 30 July 2021 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn).

VIII. Tier-Two Capital Bonds in 2020

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2020] No. 348) (銀保監復〔2020〕348號) and the approval by the PBOC in the administrative permit (Yin Xu Zhun Yu Jue Zi [2020] No. 18) (銀許准予決字〔2020〕第18號), the Bank practised book building on 24 June 2020, and issued the tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2020 with a total amount of RMB50,000 million (bond name: 20 Minsheng Tier-Two; bond code: 2028022) through public offering in the national interbank bond market on 29 June 2020. As assessed by Golden Credit Rating International Co., Ltd., the credit rating of the tier-two capital bonds was AAA (please refer to www.chinabond.com.cn for details). The tier-two capital bonds were issued for a term of 10 years with fixed coupon rate of 3.75%. The interest shall be paid on an annual basis.

The tier-two capital bonds granted the issuer a one-off early redemption option. As long as the capital level of the Bank is in compliance with the regulatory capital requirements of the regulatory authorities of the banking industry upon the exercise of redemption option, the Bank may, subject to the approval by the regulatory authorities of the banking industry, exercise one-off redemption of all or part of the bonds at par value at the last day of the fifth interest bearing year of the bonds. If the bonds fail to meet the standards of tier-two capital instruments due to changes of regulatory requirements during the term of the bonds, the

CHAPTER 6 ISSUANCE OF BONDS

Bank may exercise early redemption option, subject to the prevailing regulatory requirements at that time and approval of the regulatory authorities of the banking industry. The exercise of early redemption option by the Bank is not subject to the consent of bond holders. The value date of "20 Minsheng Tier-Two" was 29 June 2020, and the settlement date will be 29 June 2030. If the Bank exercises the redemption option, the settlement date of the bonds redeemed is the settlement date identified in the redemption announcement. According to applicable rules, the proceeds from the issuance of the bonds were fully accounted as tier-two capital of the Bank. The use of the proceeds was as stated in the prospectus.

On 29 June 2021, interest for the year concerned amounting to RMB1,875,000,000 was distributed to the bond investors by the Bank.

As at the end of the Reporting Period, the balance of the tier-two capital bonds of China Minsheng Banking Corp., Ltd. in 2020 was RMB50,000 million. During the Reporting Period, Golden Credit Rating International Co., Ltd. conducted the annual tracking and rating of the bonds and issued a corresponding report on 25 June 2021 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn).

IX. Undated Capital Bonds in 2021

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2020] No. 973) (銀保監復〔2020〕973號) and the approval by the PBOC in the administrative permit (Yin Xu Zhun Yu Jue Zi [2021] No. 38) (銀許准予決字〔2021〕第38號), the Bank issued the first tranche of undated capital bonds of China Minsheng Banking Corp., Ltd. in 2021 in a total amount of RMB30,000 million (bond name: 21 Minsheng Perpetual Bond 01; bond code: 2128016) through public offering in the national interbank bond market on 19 April 2021. As assessed by Golden Credit Rating International Co., Ltd., the credit rating of the undated capital bonds was AAA (please refer to www.chinabond.com.cn for details). The undated capital bonds were write-down capital bonds with issuing coupon rate of 4.30%, subject to adjustment at different intervals. The bonds will continue to be outstanding so long as the issuer's business continues to operate. The coupon rate shall be adjusted every five years from the payment due date. The interest shall be paid at the same agreed rate in each adjustment period of coupon rate. The interest shall be paid on an annual basis. The issuer shall have a conditional redemption option of the bonds. After the expiry of five years from the date of issuance, the issuer shall have the right to redeem all or part of the bonds on the interest payment date of each year (inclusive of the interest payment date of the fifth year after the date of issuance). Upon the issuance of the bonds, in the event that the bonds are not classified as other tier-one capital bonds due to unpredictable changes in regulations, the issuer shall have the right to redeem the bonds fully instead of partly. The value date of "21 Minsheng Perpetual Bond 01" was 21 April 2021. According to applicable rules, the proceeds from the issuance of the bonds were fully accounted as other tier-one capital of the Bank. The use of the proceeds was as stated in the prospectus.

CHAPTER 6 ISSUANCE OF BONDS

As at the end of the Reporting Period, the balance of the first tranche of undated capital bonds of China Minsheng Banking Corp., Ltd. in 2021 was RMB30,000 million. During the Reporting Period, Golden Credit Rating International Co., Ltd. conducted the annual tracking and rating of the bonds and issued a corresponding report on 25 June 2021 with the bond rating of AAA, which was the same as the previous year. (For details, please refer to www.chinabond.com.cn).

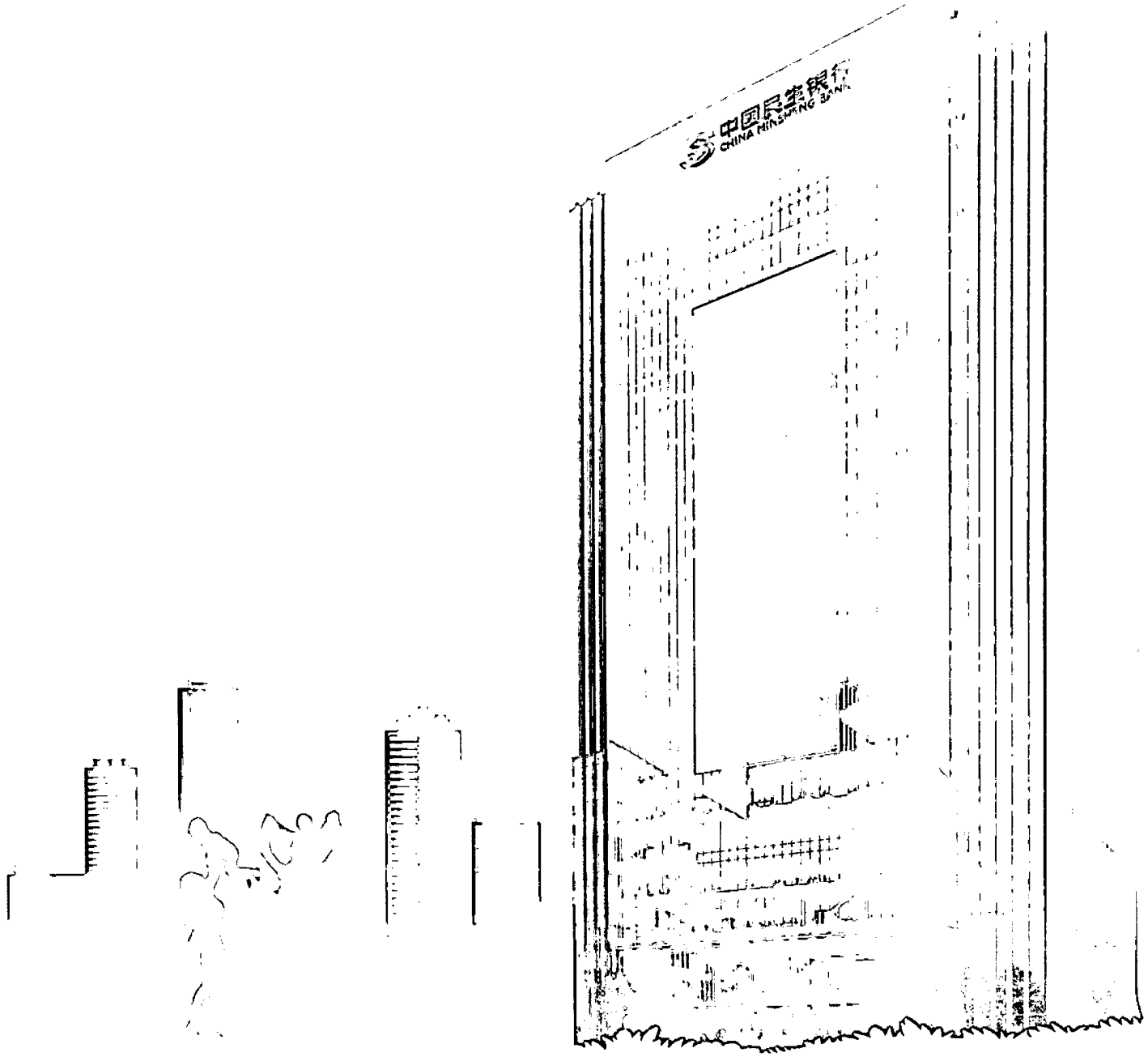
X. Financial Bonds in 2021

Pursuant to the approval by the CBIRC (Yin Bao Jian Fu [2021] No. 611) (銀保監復〔2021〕611號) and the approval by the PBOC in the administrative permit (Yin Xu Zhun Yu Jue Zi [2021] No. 154) (銀許准予決字〔2021〕第154號), the Bank issued the financial bonds in two tranches with a total amount of RMB60,000 million through public offering in the national interbank bond market on 10 November 2021 and 8 December 2021, respectively. As assessed by Dagong Global Credit Rating Co., Ltd., the credit rating of the two tranches of financial bonds was AAA. The first tranche of the financial bonds of China Minsheng Banking Corp., Ltd. in 2021 (bond name: 21 Minsheng 01; bond code: 2128037), amounting to RMB30,000 million, was issued on 10 November 2021 for a term of three years with fixed coupon rate of 3.02%. The interest was payable on an annual basis. The second tranche of the financial bonds of China Minsheng Banking Corp., Ltd. in 2021 (bond name: 21 Minsheng 02; bond code: 2128048), amounting to RMB30,000 million, was issued on 8 December 2021 for a term of three years with fixed coupon rate of 3.02%. The interest was payable on an annual basis. The value dates of "21 Minsheng 01" and "21 Minsheng 02" were 12 November 2021 and 10 December 2021, respectively, and the settlement dates will be 12 November 2024 and 10 December 2024, respectively.

According to applicable laws and the approval of the regulatory authorities, the proceeds from the issuance of the two tranches of bonds will be used to meet the issuer's need to allocate assets and liabilities, replenish capital sources, optimise debt maturity structure, and promote the steady development of business. The use of the proceeds was as stated in the prospectus.

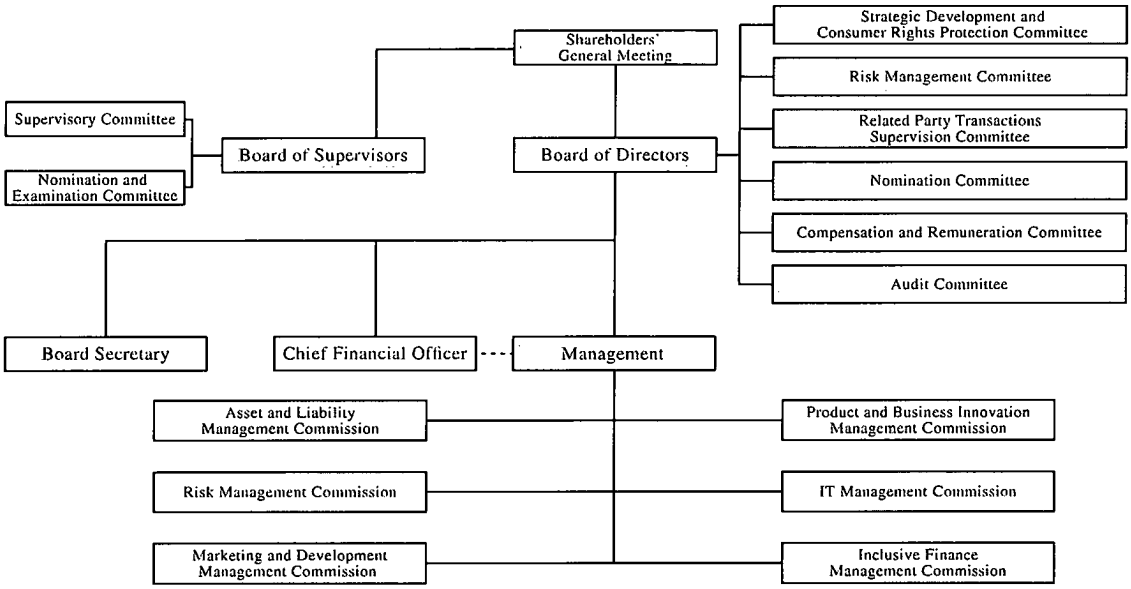
As at the end of the Reporting Period, the balance of the two tranches of bonds was RMB60,000 million.

Corporate Governance



CHAPTER 7 CORPORATE GOVERNANCE

I. Corporate Governance Structure



II. Corporate Governance Overview

During the Reporting Period, the Bank strictly complied with laws and regulations and regulatory requirements on corporate governance, continuously optimised its corporate governance mechanism and system, effectively promoted in-depth integration of the Party's leadership with its corporate governance, and comprehensively improved its corporate governance capacity, quality and effectiveness.

1. The Bank continuously improved corporate governance architecture. During the Reporting Period, by continuously deepening the incorporation of Party building into its Articles of Association, the Bank strengthened the legal status of Party organisations in the corporate governance structure. The Bank integrated Party leadership into all links of "decision-making, supervision and execution", and constructed ever-improving corporate governance architecture. According to the Company Law of the People's Republic of China《中華人民共和國公司法》, Corporate Governance Standards for Banking or Insurance Institutions《銀行保險機構公司治理準則》and other laws and regulations as well as regulatory provisions, the Bank improved the scopes of responsibilities of all governance entities including the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management so as to raise the requirements for and enhance the quality and efficiency of duty performance. The Bank proactively advocated and cultivated good corporate governance culture, formulated the Code of Professional Ethics of Board of Directors《董事會職業道德準則》, standardised duty performance behaviours, and built up cultural consensus.

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2. The Bank enhanced corporate governance mechanism. To optimise the decision-making mechanism, the Bank strengthened the organic connection between the rules of procedure of the Party committee and the decision-making mechanism of corporate governance, and enhanced Party committee's advance research and control of major issues. **To improve the duty performance mechanism of the Board and its special committees**, the Bank established a linkage mechanism between Board meetings and its special committee meetings, coordinated the compliant and efficient connection between respective decision-making process. It improved and perfected the duty performance mechanism for the Board of Directors to promote its in-depth duty performance. It adjusted and optimised the duty performance operation modes of the special committees, gave play to the professional advantages of functional departments and the secretaries of the special committees, strengthened the function of the special committees in supporting the decision-making of the Board of Directors to give full swing to the roles of "the Board of Directors in leading decision-making and the special committees in professional support". **To strengthen the construction of the duty performance support and guarantee system of the Board of Directors**, the Bank improved the transmission and exchange mechanism regarding Directors' duty performance information and the duty performance file system for Directors to realise standardised, electronic and comprehensive management and ensure that Directors perform their duties diligently and make scientific decisions in an efficient way.

3. The Bank improved corporate governance system. The Bank formulated the Administrative Measures on Recourse and Recovery of Performance-Based Remuneration (Trial) 《績效薪酬追索扣回管理辦法(試行)》 and other rules, revised more than 20 important corporate governance rules such as the Terms of Reference of the Risk Management Committee of the Board 《董事會風險管理委員會工作細則》, Measures on Strategy Management of China Minsheng Bank 《中國民生銀行戰略管理辦法》 and Measures on Comprehensive Risk Management 《全面風險管理辦法》, and gradually established through optimisation a scientific, standardised and effective corporate governance system.

During the Reporting Period, 2 shareholders' general meetings were convened by the Board of the Bank in accordance with the law to consider 19 proposals and receive briefings on 2 special reports. 13 Board meetings were convened to consider 113 proposals as well as to receive briefings on 61 special work reports. 49 meetings of the special committees of the Board were convened to consider 164 proposals as well as to receive briefings on 74 special work reports. 6 meetings of the Board of Supervisors were convened to consider 22 proposals and review 21 reports; and 15 special committee meetings of the Board of Supervisors were convened to consider and review 58 matters.

The Bank followed the normative documents regarding corporate governance of listed companies issued by the CSRC and various regulatory requirements regarding corporate governance of commercial banks proposed by the CBIRC, established a sound corporate governance structure and mechanism featuring mutual constraints and mutual checks and balances among the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and the Senior Management, under which the Shareholders' General Meeting, the Board of Directors, the Board of Supervisors and Senior Management operated in a compliant manner and performed duties in a standardised way. The Bank comprehensively carried out self-

inspection with regard to corporate governance, conducted overall evaluation mainly from the dimensions of Party leadership, governance of the Board of Directors, governance of the Board of Supervisors, Senior Management governance, internal risk control and related party transaction governance, and governance of other stakeholders, and was not aware of any difference between the Company's corporate governance and the normative documents regarding corporate governance of listed companies promulgated by the CSRC. There were no irregularities of corporate governance and no information was provided to substantial shareholders or ultimate controllers before such information was published to the public.

III. Powers of the Shareholders' General Meeting

The Shareholders' General Meeting is the organ of authority of the Bank, and exercises the following functions and powers in accordance with the laws: to decide on the Bank's operating policies and investment plans; to elect and replace Directors and Supervisors who are not employee representatives and decide on matters concerning the remuneration of relevant Directors and Supervisors; to consider and approve the annual financial budget and final accounts, profit distribution plans and plans for recovery of losses, increase or reduce registered capital, issue bonds, merge, divide and revise the Articles of Association, and other matters that shall be decided by the Shareholders' General Meeting in accordance with laws, administrative regulations, departmental rules, relevant provisions of the securities regulatory authority of the place where the Bank was listed or the provisions in the Articles of Association. The above-mentioned functions and powers of the Shareholders' General Meeting shall not be exercised by the Board of Directors or other institutions and individuals through authorisation.

IV. Rights of Shareholders

1. Procedures for convening extraordinary shareholders' general meetings

In accordance with the Articles of Association of the Bank, the Bank shall convene an extraordinary general meeting within two months at the request of the shareholders individually or jointly holding 10% or more shares of the Bank.

Shareholders may request to convene an extraordinary general meeting or a class meeting by the following procedures:

Shareholders individually or jointly holding no less than 10% shares of the Bank may have the right to request the Board of Directors in writing to convene an extraordinary general meeting. The Board of Directors shall, in accordance with the laws, administrative regulations and the Articles of Association, make a written response as to whether or not it will convene the extraordinary general meeting within 10 days upon receipt of the request.

If the Board of Directors agrees to convene the extraordinary general meeting or class meeting, a notice of convening such meeting shall be issued within 5 days after the resolution of the Board of Directors is passed. Approval of the relevant shareholders must be sought if the resolution contained in the notice alters the original request.

CHAPTER 7 CORPORATE GOVERNANCE

If the Board of Directors refuses to convene the extraordinary general meeting or class meeting, or fails to respond within 10 days upon receipt of the request, shareholders individually or jointly holding 10% or more shares with voting rights in the proposed meeting shall have the right to propose to the Board of Supervisors in writing to convene such extraordinary general meeting or class meeting.

If the Board of Supervisors agrees thereto, a notice of convening such extraordinary general meeting or class meeting shall be issued within five days upon receipt of the proposal. Approval of the relevant shareholders must be sought if the resolution contained in the notice alters the original request.

If the Board of Supervisors fails to give the notice of such general meeting or class meeting within the specified period, it shall be deemed to have failed to convene and preside over such meeting and shareholders who individually or jointly hold 10% or more of the Bank's shares with voting rights in the proposed meeting for not less than 90 consecutive days shall have the right to convene and preside over the meeting.

The Board of Directors and the Board Secretary shall provide assistance when necessary for the general meetings convened by the Board of Supervisors or shareholders. The Board of Directors shall provide the register of shareholders as at the record date. Necessary costs of such general meetings shall be borne by the Bank.

2. Procedures for putting forward proposals at shareholders' general meetings

In accordance with the Articles of Association of the Bank, shareholders individually or jointly holding no less than 3% of shares of the Bank with voting rights may put forward proposals to the Bank and provisional proposals to the meeting convener in writing 10 days prior to the date of the general meeting. The convener of such general meeting shall issue a supplementary notice of the meeting setting out the content of the provisional proposals within two days upon the receipt of the proposals.

The Board of Directors shall provide explanation for its decision to exclude any proposal of any shareholder from the agenda at the relevant general meeting. The contents of such excluded proposal and explanation of the Board of Directors shall be announced together with the resolutions of the general meeting after the close of the meeting.

In the annual general meeting, shareholders holding more than 3% shares with voting rights of the Bank are entitled to put forward additional proposals in writing. The Bank shall include the proposals that fall within the scope of power of the general meeting in the agenda of such meeting.

Shareholders may put forward proposals at general meetings through the Office of the Board of Directors of the Bank, the contact information of which is set out in the section headed "4. Making enquiries to the Board of Directors".

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3. Convening extraordinary meetings of the Board of Directors

The Bank's Articles of Association stipulates that shareholders representing more than 1/10 of the voting rights may propose to convene an extraordinary meeting of the Board of Directors. The Chairman of the Board shall convene and preside over the Board meeting within 10 days after receipt of the proposal.

4. Making enquiries to the Board of Directors

Shareholders have the right to make enquiries about relevant information of the Bank, including the Articles of Association, the status of share capital, audited financial statements, reports of the Board of Directors, reports of the Board of Supervisors, minutes of shareholders' general meetings, etc., in accordance with the Articles of Association after they provide the Office of the Board of Directors with written documents certifying the type and number of shares of the Bank held by them and after the Bank verifies their identities. The contact details of the Office of the Board of Directors of the Bank are as follows:

Address: China Minsheng Bank Building, No. 2 Fuxingmennei Avenue, Xicheng District, Beijing, China
Postal code: 100031
Telephone: 86-10-58560975, 86-10-58560824
Facsimile: 86-10-58560720
Email: cmbc@cmbc.com.cn

V. Shareholders' General Meetings

During the Reporting Period, the Bank held two general meetings and considered and approved 19 resolutions and received briefings on 2 special reports. Details are as follows:

On 22 January 2021, the first extraordinary general meeting for 2021 of the Bank was held in Beijing in which the shareholders attended and voted on-site and online. For details of the resolutions of the meeting, please refer to the announcement published on the website of the Bank, the website of the SSE and the HKEXnews website of the SEHK on 22 January 2021, and posted on China Securities Journal, Shanghai Securities News and Securities Times on 23 January 2021.

On 11 June 2021, the 2020 annual general meeting, the first A share class meeting for 2021 and the first H share class meeting for 2021 of the Bank were held in Beijing in which the shareholders attended and voted on-site and online. For details of the resolutions of the meetings, please refer to the announcement published on the website of the Bank, the website of the SSE and the HKEXnews website of the SEHK on 11 June 2021, and posted on China Securities Journal, Shanghai Securities News and Securities Times on 12 June 2021.

CHAPTER 7 CORPORATE GOVERNANCE

VI. Directors, Supervisors and Senior Management

(I) Basic information

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration before tax received during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
GAO Yingxin	M	1962	Chairman & Executive Director	July 2020 – 2023 election	300,000	500,000	402.53	No
ZHANG Hongwei	M	1954	Vice Chairman & Non-Executive Director	January 2001 – 2023 election	–	–	93.50	Yes
LU Zhiqiang	M	1951	Vice Chairman & Non-Executive Director	November 2006 – 2023 election	–	–	93.50	Yes
LIU Yonghao	M	1951	Vice Chairman & Non-Executive Director	June 2009 – 2023 election	–	–	93.50	No
ZHENG Wanchun	M	1964	Vice Chairman	December 2020 – 2023 election	250,000	430,000	358.95	No
			Executive Director	March 2016 – 2023 election				
			President	January 2016 – 2023 election				
SHI Yuzhu	M	1962	Non-Executive Director	March 2017 – 2023 election	–	–	81.50	No
WU Di	M	1965	Non-Executive Director	March 2013 – 2023 election	–	–	90.50	No
SONG Chunfeng	M	1969	Non-Executive Director	March 2017 – 2023 election	–	–	–	No

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Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration before tax received during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
WENG Zhenjie	M	1962	Non-Executive Director	February 2017 – 2023 election	–	–	87.50	No
YANG Xiaoling	M	1958	Non-Executive Director	March 2021 – 2023 election	–	–	74.50	No
ZHAO Peng	M	1973	Non-Executive Director	June 2021 – 2023 election	–	–	85.00	No
LIU Jipeng	M	1956	Independent Non-Executive Director	February 2017 – (Note 1)	–	150,000	95.00	No
LI Hancheng	M	1963	Independent Non-Executive Director	February 2017 – (Note 1)	–	–	105.50	No
XIE Zhichun	M	1958	Independent Non-Executive Director	March 2017 – (Note 1)	–	–	99.00	No
PENG Xuefeng	M	1962	Independent Non-Executive Director	March 2017 – (Note 1)	–	–	89.00	No
LIU Ningyu	M	1969	Independent Non-Executive Director	March 2017 – (Note 1)	–	–	110.75	No
QU Xinjiu	M	1964	Independent Non-Executive Director	March 2021 – 2023 election	–	–	92.00	No
YUAN Guijun	M	1963	Executive Director	March 2021 – 2023 election	–	150,000	328.45	No
			Executive Vice President	December 2020 – 2023 election				

CHAPTER 7 CORPORATE GOVERNANCE

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration before tax received during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
ZHANG Juntong	M	1974	Chairman of the Board of Supervisors & Employee Supervisor	February 2017 – 2023 election	200,000	350,000	329.78	No
YANG Yu	M	1964	Vice Chairman of the Board of Supervisors & Employee Supervisor	November 2021 – 2023 election	–	–	21.46	No
LU Zhongnan	M	1955	Shareholder Supervisor	January 2007 – 2023 election	–	–	76.00	No
ZHAO Huan John	M	1963	Shareholder Supervisor	October 2020 – 2023 election	–	–	68.50	No
LI Yu	M	1974	Shareholder Supervisor	October 2020 – 2023 election	–	–	77.00	No
WANG Yugui	M	1951	External Supervisor	February 2017 – 2023 election	–	–	76.00	No
ZHAO Fugao	M	1955	External Supervisor	June 2019 – 2023 election	–	–	7.50	No
ZHANG Liqing	M	1963	External Supervisor	October 2020 – 2023 election	–	–	71.00	No
GONG Zhijian	M	1967	Employee Supervisor	November 2021 – 2023 election	–	–	30.63	No

CHAPTER 7 CORPORATE GOVERNANCE

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration before tax received during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
CHEN Qiong	F	1963	Executive Vice President	August 2018 – 2023 election	200,000	350,000	275.15	No
SHI Jie	M	1965	Executive Vice President	January 2017 – 2023 election	200,000	350,000	275.15	No
LI Bin	F	1967	Executive Vice President	January 2017 – 2023 election	200,000	350,000	275.15	No
LIN Yunshan	M	1970	Executive Vice President	January 2017 – 2023 election	200,000	350,000	275.15	No
HU Qinghua	M	1963	Executive Vice President	August 2018 – 2023 election	200,000	350,000	275.04	No
BAI Dan	F	1963	Chief Financial Officer	May 2012 – 2023 election	210,000	360,000	299.35	No
			Board Secretary	August 2018 – 2023 election				
ZHANG Yuebo	M	1962	Chief Audit Officer	February 2017 – 2023 election	200,000	350,000	250.95	No
OUYANG Yong	M	1963	Assistant President	June 2018 – February 2022	200,000	350,000	248.07	No
ZHANG Bin	M	1967	Chief Information Officer	November 2021 – 2023 election	–	–	18.93	No

CHAPTER 7 CORPORATE GOVERNANCE

Name	Gender	Year of birth	Position	Term of office	Shares held at the beginning of the Reporting Period (share)	Shares held at the end of the Reporting Period (share)	Aggregate remuneration before tax received during the Reporting Period (RMB ten thousand)	Any remuneration received from related parties
Resigned Directors and Supervisors								
GUO Dong	M	1961	Former Vice Chairman of the Board of Supervisors & Employee Supervisor	March 2016 – November 2021	200,000	350,000	304.58	No
LI Jian	M	1966	Former Employee Supervisor	March 2020 – November 2021	–	–	310.48	No

Notes:

1. According to Article 36 and Article 38 of the Corporate Governance Standards for Banking or Insurance Institutions《銀行保險機構公司治理準則》issued by the CBIRC, independent directors must not serve for a term of more than six years in the same banking or insurance institution; the independent director shall continue to perform his/her duties before the new independent director takes office in case that the resignation of such independent director leads to the number of independent directors less than one third of the total number of members of the Board. The actual expiration date of the terms of office of the Independent Directors, namely Mr. LIU Jipeng, Mr. LI Hancheng, Mr. XIE Zhichun, Mr. PENG Xuefeng and Mr. LIU Ningyu will comply with the requirements above;

2. According to the regulations of the CSRC, the commencement date of the terms of office of re-elected Directors, Supervisors and Senior Management in the above table shall be the date of their first appointment and qualification approval. As the qualification of Mr. WENG Zhenjie as a Director is subject to the approval of the CBIRC, the commencement date of his term of office is temporarily taken as the date when he is elected at the Shareholders' General Meeting;

3. From 17 May 2021 to 18 May 2021, the Senior Management of the Bank purchased ordinary A shares of the Bank from the secondary market with their own funds, and undertook that such shares purchased were subject to a lock-up period of two years from the date of purchase. For details, please refer to the announcement of the Bank dated 18 May 2021 published on the HKEXnews website of the SEHK and the announcement dated 19 May 2021 on the website of SSE;

4. Since April 2020, Mr. SONG Chunfeng has not been receiving the remuneration as a Director;

5. Since February 2021, Mr. ZHAO Fugao has not been receiving the remuneration as a Supervisor;

6. During the Reporting Period, the total pre-tax remuneration of current and resigned Directors, Supervisors and Senior Management was RMB59,465,500. The total pre-tax remuneration of the incumbent Executive Directors, Chairman of the Board of Supervisors, Vice Chairman of the Board of Supervisors, Employee Supervisors and Senior Management is still under confirmation and further disclosure regarding such unconfirmed part will be made by the Bank in due course;

7. During the Reporting Period, none of the incumbent Directors, Supervisors and Senior Management or Directors, Supervisors or Senior Management resigned during the Reporting Period had been subject to any penalty imposed by the securities regulatory authorities during the past three years;

8. On 8 February 2022, due to job changes, Mr. OUYANG Yong resigned from the position of Assistant President of the Bank.

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(II) Appointment and resignation of Directors, Supervisors and Senior Management

Directors

On 22 January 2021, Mr. YUAN Guijun was elected as an Executive Director of the Bank at the 1st extraordinary general meeting for 2021 of the Bank. On 29 March 2021, the CBIRC approved the qualification of Mr. YUAN Guijun as an Executive Director of the Bank.

On 9 March 2021, the CBIRC approved the qualification of Mr. QU Xinjiu as an Independent Non-Executive Director of the Bank.

On 16 March 2021, the CBIRC approved the qualification of Mr. YANG Xiaoling as a Non-Executive Director of the Bank.

On 23 June 2021, the CBIRC approved the qualification of Mr. ZHAO Peng as a Non-Executive Director of the Bank.

Supervisors

On 25 November 2021, Mr. GUO Dong ceased to act as a Vice Chairman of the Board of Supervisors of the Bank, an Employee Supervisor and a member of the Supervisory Committee of the Board of Supervisors due to retirement. Mr. LI Jian ceased to act as an Employee Supervisor and a member of the Supervisory Committee of the Board of Supervisors of the Bank due to job transfer. On the same day, Mr. YANG Yu and Mr. GONG Zhijian were elected as Employee Supervisors through by-election at the employee representatives meeting of the Bank.

On 26 November 2021, Mr. YANG Yu was elected as a Vice Chairman of the eighth session of Board of Supervisors, and Mr. YANG Yu and Mr. GONG Zhijian were by-elected as members of the Supervisory Committee of the Board of Supervisors at the 1st extraordinary meeting of the eighth session of the Board of Supervisors.

Senior Management

On 30 November 2021, the Resolution on Appointing Chief Information Officer of China Minsheng Bank was considered and approved at the 15th meeting of the eighth session of the Board of the Bank. Mr. ZHANG Bin was appointed as Chief Information Officer.

On 8 February 2022, Mr. OUYANG Yong resigned from the position of Assistant President of the Bank due to job changes.

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(III) Positions held by current Directors and Supervisors in shareholders' companies

Name	Name of the Bank's shareholder's company	Position	Term of office
ZHANG Hongwei	Orient Group Co., Ltd.	Chairman of the board of directors	1 March 2014 – Present
LU Zhiqiang	China Oceanwide Holdings Group Co., Ltd.	Chairman of the board of directors	May 1999 – Present
LIU Yonghao	New Hope Liuhe Co., Ltd.	Director	January 2003 – Present
WU Di	Good First Group Co., Ltd.	Chairman of the board of directors and general manager	January 2003 – Present
SONG Chunfeng	China Shipowners Mutual Assurance Association	General manager	March 2016 – Present
WENG Zhenjie	Chongqing International Trust Company Limited	Chairman of the board of directors	November 2014 – Present
YANG Xiaoling	Dajia Insurance Group Co., Ltd.	Deputy general manager and chief operating officer	November 2019 – December 2021
	Dajia Life Insurance Co., Ltd.	General manager	March 2019 – December 2021
ZHAO Peng	Dajia Insurance Group Co., Ltd.	Assistant general manager and board secretary	September 2020 – Present
	Dajia Life Insurance Co., Ltd.	Director	July 2021 – Present

(IV) Performance evaluation and incentive mechanism and remuneration system for Directors, Supervisors and the Senior Management

Evaluation on the Senior Management of the Bank highlights strategic orientation, and strengthens the connection between Senior Management appraisal and the key tasks for the whole Bank's reform and transformation based on the core content of high-quality, sustainable and steady development. At the same time, in the design of appraisal indicators, the Bank keeps paying attention to shareholder value returns and sustainable development, and strengthens compliant operation by enhancing appraisal of regulatory compliance and risk indicators.

The remuneration policy for the Senior Management of the Bank is implemented to facilitate the accomplishment of development strategies and business objectives of the Bank, and to reflect the policies and guidelines for human resources management of the Bank. The Company advocated value creation so as to encourage the Senior Management to lead Minsheng Bank to successfully complete the reform and transformation and achieve steady development. The Company formulated a remuneration policy for the Senior Management with a reasonable structure and market competitiveness. It determined remuneration

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of the Senior Management according to their duties, capabilities and contributions to operating results, and established an incentive and restraint mechanism for the Senior Management.

The Senior Management's performance-based remuneration is closely linked to the attainment of key performance indicators and the results of annual appraisal of the Senior Management as individuals. In accordance with the requirements of the regulatory guidelines, the Company has established a deferred payment mechanism for the performance-based remuneration of the Senior Management, according to which, a certain percentage of venture funds would be accrued from their performance-based remuneration every year.

To objectively reflect the labour, risks and responsibilities undertaken by the Directors and Supervisors of the Bank, and to effectively encourage the Directors and Supervisors to actively participate in decision-making, the Bank paid remuneration to all Directors and Supervisors in accordance with the Rules for Remuneration of Directors and Supervisors of China Minsheng Banking Corp., Ltd. 《中國民生銀行股份有限公司董事、監事薪酬制度》. The remuneration of the Directors comprises four parts, including annual fee, allowances for special committees, reimbursement for attending meetings and reimbursement for researches and investigations. The remuneration of the Supervisors comprises three parts, including annual fee, allowances for special committees and reimbursement for attending meetings.

In accordance with regulatory requirements, the Measures on Performance Supervision and Evaluation of the Board and Directors by the Board of Supervisors of China Minsheng Banking Corp., Ltd. 《中國民生銀行股份有限公司監事會對董事會及董事履職監督評價辦法》, and the Measures on Performance Evaluation of Supervisors of China Minsheng Banking Corp., Ltd. 《中國民生銀行股份有限公司監事履職評價辦法》, the Board of Supervisors performed objective evaluations on the performance of the Board, Directors and Supervisors. Through reviewing daily performance records, the Board of Supervisors supervised the legality and compliance of meeting contents, discussion mechanism and procedures, and fully understood the opinions and suggestions of Directors and Supervisors. Through a variety of ways such as receiving briefings on reports, conducting investigations, researches and inspections, issuing supervisory notices and carrying out enquiries and interviews, it focused on the supervision of risk management, internal control and compliance, financial management, strategic planning, etc., and understood the performance of Directors and Supervisors in related fields. Through filling in the statistical form of performance, the Board of Supervisors organised self-evaluation and cross-evaluation to assess the annual performance of Directors and Supervisors. In accordance with regulatory requirements and the Measures on Performance Supervision and Evaluation of the Senior Management by the Board of Supervisors of China Minsheng Banking Corp., Ltd. 《中國民生銀行股份有限公司監事會對高級管理層及其成員履職監督評價辦法》, the Board of Supervisors performed an objective evaluation on the performance of the Senior Management and its members. Through convening meetings to consider financial reports, internal control evaluation reports, risk management reports, etc., and receiving briefings on special reports on credit risk, liquidity risk, reputation risk, capital management, stress testing, case prevention and control, anti-money laundering and remuneration appraisal policies, etc., the Board of Supervisors understood the Senior Management's business philosophy, operating results, risk management, internal control and compliance, etc. Through real-time tracking and supervision of the rectifications following special inspections by regulatory authorities, the Board of Supervisors understood the

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implementation of the regulatory opinions by the Senior Management and the progress and effectiveness of the rectifications. Through reviewing the annual work reports and comprehensive scores and evaluation of the Senior Management, the Board of Supervisors gained a comprehensive understanding of their fulfillment of duty of loyalty, duty of diligence, compliance performance, and performance results, etc. The objective and fair comprehensive evaluation conducted by the Board of Supervisors on the performance of Directors, Supervisors and Senior Management based on information obtained through the above-mentioned ways and channels and in accordance with regulatory requirements finally formed the annual performance evaluations, which were reported to the Shareholders' General Meeting and the regulatory authorities.

(V) Changes of information of Directors and Supervisors

1. Mr. YANG Xiaoling, a Non-Executive Director of the Bank, ceased to serve as a deputy general manager and chief operating officer of Dajia Insurance Group Co., Ltd. and general manager of Dajia Life Insurance Co., Ltd.

2. Mr. ZHAO Peng, a Non-Executive Director of the Bank, was appointed as a director of Dajia Life Insurance Co., Ltd. and a director of Sino-Ocean Group Holding Limited (listed on the SEHK (stock code: 03377)).

3. Mr. LIU Jipeng, an Independent Non-Executive Director of the Bank, ceased to serve as an independent director of Valiant Co., Ltd. (listed on the SZSE (stock code: 002643)) and an independent director of CECEP Guozhen Environmental Protection Technology Co., Ltd. (listed on the SZSE (stock code: 300388)).

4. Mr. LU Zhongnan, a Supervisor of the Bank, was appointed as an independent director of Yantai Bank Co., Ltd.

5. Mr. ZHAO Huan John, a Supervisor of the Bank, ceased to serve as president of Hony Capital.

6. The position of Mr. WANG Yugui, a Supervisor of the Bank, in Bank of Hebei Co., Ltd. was changed from independent non-executive director to external supervisor.

7. Mr. ZHANG Liqing, a Supervisor of the Bank, ceased to serve as an independent non-executive director of Gome Finance Technology Co., Ltd. (listed on the SEHK (stock code: 00628)) and an independent director of Bank of Ruifeng.

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(VI) Service contracts of Directors and Supervisors

In accordance with rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, the Bank has entered into contracts with its Directors and Supervisors in respect of compliance with the relevant laws and regulations, the Articles of Association and the provisions of arbitration. Except as disclosed above, the Bank has not entered into and does not intend to enter into any service contracts with its Directors or Supervisors in respect of their services as Directors or Supervisors (excluding the service contracts which will expire within one year or are terminable by the Bank within one year without payment of compensation, other than statutory compensation).

(VII) Directors' interests in competing business

Mr. LU Zhiqiang, a Non-Executive Director of the Bank, is related to Oceanwide Industrial Co., Ltd., which holds 7.72% of the shares of China Bohai Bank Co., Ltd. ("China Bohai Bank"). To the best knowledge of the Bank, China Bohai Bank was established as a national joint-stock commercial bank in December 2005. As at 30 June 2021, the unaudited total assets, net assets, net assets per share, deposits and loans of China Bohai Bank were RMB1,560,328 million, approximately RMB107,203 million, RMB4.91, RMB846,730 million and RMB976,828 million, respectively. In accordance with the Articles of Association, Mr. LU Zhiqiang shall abstain from voting in respect of resolutions in relation to China Bohai Bank. As such, the interest of Mr. LU Zhiqiang in China Bohai Bank is not in conflict with his duties as a Director of the Bank.

Mr. LIU Yonghao, a Non-Executive Director of the Bank, is a director of Sichuan Xinwang Bank Co., Ltd. ("Sichuan Xinwang Bank") and holds 30% equity interest of Sichuan Xinwang Bank through New Hope Group Co., Ltd., which is controlled by him. To the best knowledge of the Bank, Sichuan Xinwang Bank was established on 28 December 2016 upon the approval by China's banking regulatory authorities and is an internet-based bank with scope of business including taking in deposits from the general public, granting loans, handling domestic and foreign settlements; handling the acceptance and discounting of negotiable instruments; issuing financial bonds; engaging in the business of bank cards; buying and selling foreign exchange and acting as an agent for the purchase and sale of foreign exchange; engaging in interbank lending; providing letter of credit services and guaranty; acting as an agent for the receipt and payment of money and acting as an insurance agent. As at 31 December 2021, the unaudited total assets, net assets, net assets per share, deposits and loans of Sichuan Xinwang Bank were RMB57,116 million, RMB5,754 million, RMB1.92, RMB31,882 million and RMB43,623 million, respectively. Therefore, Sichuan Xinwang Bank is very different from the Bank in terms of operation mode and operation scale. Mr. LIU Yonghao is just one of the directors of Sichuan Xinwang Bank and not the chairman of the board of directors of Sichuan Xinwang Bank. In addition, in accordance with the Articles of Association, Mr. LIU Yonghao shall abstain from voting in respect of resolutions in relation to Sichuan Xinwang Bank. As such, the interest of Mr. LIU Yonghao in Sichuan Xinwang Bank is not in conflict with his responsibilities as a Director of the Bank.

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Mr. WU Di, a Non-Executive Director of the Bank, is a director of Hangzhou United Rural Commercial Bank Co., Ltd. ("Hangzhou United Bank") and has no interest in the equity in Hangzhou United Bank. To the best knowledge of the Bank, Hangzhou United Bank was established on 5 January 2011. The customers of Hangzhou United Bank are mainly from agriculture, rural areas and farmers, and local communities as well as SMEs. Hangzhou United Bank is a local joint-stock bank with a registered capital of RMB2,127 million. As at 31 December 2021, the unaudited total assets, net assets, net assets per share, deposits and loans of Hangzhou United Bank were RMB313,875 million, RMB24,458 million, RMB11.22, RMB236,063 million and RMB192,542 million, respectively. Therefore, Hangzhou United Bank is very different from the Bank in terms of scale and geographical coverage of business. Mr. WU Di is just one of the directors and not the chairman of the board of directors of Hangzhou United Bank. In accordance with the Articles of Association, Mr. WU Di shall abstain from voting in respect of resolutions in relation to Hangzhou United Bank. As such, the interest of Mr. WU Di in Hangzhou United Bank is not in conflict with his responsibilities as a Director of the Bank.

Mr. WENG Zhenjie, a Non-Executive Director of the Bank, is a director of Chongqing Three Gorges Bank Co., Ltd. ("Chongqing Three Gorges Bank") and a director of Hefei Science & Technology Rural Commercial Bank Company Limited ("Hefei Science & Technology Rural Commercial Bank") and has no interest in the equity in these two banks. To the best knowledge of the Bank, Chongqing Three Gorges Bank was established as a joint-stock city commercial bank in February 2008. As at 31 December 2021, the unaudited total assets, net assets, deposits and loans of Chongqing Three Gorges Bank were RMB240,412 million, approximately RMB20,452 million, RMB147,993 million and RMB139,002 million, respectively. Hefei Science & Technology Rural Commercial Bank was established on 14 February 2007 and is a regional rural commercial bank providing services for SMEs, agriculture-related enterprises, rural area enterprises, and farmers, technological enterprises and local enterprises. As at 31 December 2021, the unaudited total assets, net assets, net assets per share, deposits and loans of Hefei Science & Technology Rural Commercial Bank were RMB110,712 million, approximately RMB8,819 million, RMB4.89, RMB78,204 million and RMB56,017 million, respectively. Therefore, Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank are very different from the Bank in terms of scale and geographical coverage of business. Mr. WENG Zhenjie is just one of the directors and not the chairman of the board of directors of either of Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank. In addition, in accordance with the Articles of Association, Mr. WENG Zhenjie shall abstain from voting in respect of resolutions in relation to either of Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank. As such, the interests of Mr. WENG Zhenjie in Chongqing Three Gorges Bank and Hefei Science & Technology Rural Commercial Bank are not in conflict with his responsibilities as a Director of the Bank.

Save as disclosed above, none of the Directors holds any interests in businesses which competes or is likely to compete, either directly or indirectly, with the businesses of the Bank.

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(VIII) Interests of the Directors, Supervisors and chief executives in the securities of the Bank or its associated corporations under Hong Kong laws and regulations

1. As at 31 December 2021, the following Directors and Supervisors of the Bank had the following interests in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to Section 336 of the SFO and as the Bank is aware of:

Name	Position	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued ordinary shares (%)
GAO Yingxin	Executive Director	A	Long position	Beneficial owner	200,000		0.0006	0.0005
		H	Long position	Beneficial owner	300,000		0.0036	0.0007
ZHENG Wanchun	Executive Director	A	Long position	Beneficial owner	180,000		0.0005	0.0004
		H	Long position	Beneficial owner	250,000		0.0030	0.0006
YUAN Guijun	Executive Director	A	Long position	Beneficial owner	150,000		0.0004	0.0003
LIU Yonghao	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,930,715,189	1	5.44	4.41
		H	Long position	Interest held by his controlled corporation(s)	240,789,500	2	2.89	0.55
ZHANG Hongwei	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,315,117,123	3	3.71	3.00
LU Zhiqiang	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,803,182,618	4	5.08	4.12
		H	Long position	Interest held by his controlled corporation(s)	750,980,970	5	9.03	1.72
		H	Short position	Interest held by his controlled corporation(s)	604,300,950	5	7.26	1.38
SHI Yuzhu	Non-Executive Director	A	Long position	Interest held by his controlled corporation(s)	1,379,679,587	6	3.89	3.15
		H	Long position	Interest held by his controlled corporation(s)	713,501,653	7	8.58	1.63

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Name	Position	Class of shares	Long/short position	Capacity	Number of shares	Notes	Percentage of the relevant class of shares in issue (%)	Percentage of all the issued ordinary shares (%)
LIU Jipeng	Independent Non-Executive Director	A	Long position	Beneficial owner	150,000		0.0004	0.0003
ZHANG Juntong	Employee Supervisor	A	Long position	Beneficial owner	150,000		0.0004	0.0003
		H	Long position	Beneficial owner	200,000		0.0024	0.0005

Notes:

1. The 1,930,715,189 A shares comprised 102,387,827 A shares directly held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares directly held by New Hope Liuhe Investment Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while 25% and 75% of the issued share capital of New Hope Liuhe Investment Co., Ltd. were held by New Hope Group Co., Ltd. and New Hope Liuhe Co., Ltd. respectively. 24.86% and 29.08% of the issued share capital of New Hope Liuhe Co., Ltd. were held by New Hope Group Co., Ltd. and South Hope Industrial Co., Ltd. respectively. According to the SFO, New Hope Group Co., Ltd. was deemed to be interested in the 102,387,827 A shares held by South Hope Industrial Co., Ltd. and 1,828,327,362 A shares held by New Hope Liuhe Investment Co., Ltd.

   As Mr. LIU Yonghao held 90.59% of the issued share capital of New Hope Group Co., Ltd., Mr. LIU Yonghao was deemed to be interested in the 1,930,715,189 A shares held by New Hope Group Co., Ltd. according to the SFO. Such interests held by Mr. LIU Yonghao and the interests held by New Hope Group Co., Ltd., Ms. LI Wei and Ms. LIU Chang, the details of which are disclosed in the section headed "Substantial shareholders' and other persons' interests or short positions in the shares and underlying shares of the Bank under Hong Kong laws and regulations" in this Annual Report, were the same block of shares.

2. The 240,789,500 H shares (long position) were directly held by South Hope Industrial Co., Ltd. (see note 1 above).

3. The 1,315,117,123 A shares include 1,280,117,123 A shares directly held by Orient Group Incorporation and 35,000,000 A shares directly held by Orient Group Co., Ltd. 29.66% of the issued share capital of Orient Group Incorporation was held by Orient Group Co., Ltd. 94% of the issued share capital of Orient Group Co., Ltd. was held by Mingze Orient Investment Co., Ltd. (名澤東方投資有限公司), while Mingze Orient Investment Co., Ltd. was wholly-owned by Mr. ZHANG Hongwei.

4. The 1,803,182,618 A shares were held by China Oceanwide Holdings Group Co., Ltd., of which 98.00% of the issued share capital was held by Oceanwide Group Co., Ltd., which was wholly-owned by Tohigh Holdings Co., Ltd. Mr. LU Zhiqiang held 77.14% of the issued share capital of Tohigh Holdings Co., Ltd.

5. The 750,980,970 H shares (long position) comprised 8,237,520 H shares directly held by China Oceanwide International Investment Company Limited, 604,300,950 H shares directly held by Oceanwide International Equity Investment Limited and 138,442,500 H shares directly held by Long Prosper Capital Company Limited, while the 604,300,950 H shares (short position) were directly held by Oceanwide International Equity Investment Limited. Long Prosper Capital Company Limited was a wholly-owned subsidiary of Oceanwide International Equity Investment Limited. 89.22% of the issued share capital of Oceanwide International Equity Investment Limited was indirectly held by Oceanwide Holdings Co., Ltd., while all of the issued share capital of China Oceanwide International Investment Company Limited and 65.09% of the issued share capital of Oceanwide Holdings Co., Ltd. were held by China Oceanwide Holdings Group Co., Ltd. (see note 4 above).

6. The 1,379,679,587 A shares were held by Shanghai Giant Lifetech Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. SHI Yuzhu.

7. The 713,501,653 H shares (long position) were held by Alpha Frontier Limited. 42.04% of the issued share capital of Alpha Frontier Limited was held by Chongqing Cibi Business Information Consulting Co., Ltd. (重慶賜比商務信息諮詢有限公司), which was wholly-owned by Giant Investment Co., Ltd. (see note 6 above).

2. As at 31 December 2021, the following Director of the Bank had the following interests in Pengzhou Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
LIU Yonghao	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,000,000	1	3.64

Note:

1. New Hope Group Co., Ltd. is interested in RMB2 million of the registered capital of Pengzhou Minsheng Rural Bank Co., Ltd. As Mr. LIU Yonghao held 90.59% of the issued share capital of New Hope Group Co., Ltd., Mr. LIU Yonghao was deemed to be interested in the equity interest held by New Hope Group Co., Ltd. in Pengzhou Minsheng Rural Bank Co., Ltd. according to the SFO.

3. As at 31 December 2021, the following Director of the Bank had the following interests in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
SHI Yuzhu	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB24,000,000	1	10

Note:

1. Shanghai Giant Lifetech Co., Ltd. is interested in RMB24 million of the registered capital of Shanghai Songjiang Minsheng Rural Bank Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. SHI Yuzhu. Mr. SHI Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Shanghai Songjiang Minsheng Rural Bank Co., Ltd. according to the SFO.

4. As at 31 December 2021, the following Directors of the Bank had the following interests in Tibet Linzhi Minsheng Rural Bank Co., Ltd. (a subsidiary of the Bank):

Name	Position	Long/short position	Capacity	Contribution to the registered capital	Note	Percentage of the total registered capital (%)
SHI Yuzhu	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB2,500,000	1	10
LIU Yonghao	Non-Executive Director	Long position	Interest held by his controlled corporation(s)	RMB1,500,000	2	6

Notes:

1. Shanghai Giant Lifetech Co., Ltd. is interested in RMB2.5 million of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. 90.49% of the issued share capital of Shanghai Giant Lifetech Co., Ltd. was held by Giant Investment Co., Ltd., of which 97.86% of the issued share capital was held by Mr. SHI Yuzhu. Mr. SHI Yuzhu was deemed to be interested in the equity interest held by Shanghai Giant Lifetech Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.

2. South Hope Industrial Co., Ltd. is interested in RMB1.5 million of the registered capital of Tibet Linzhi Minsheng Rural Bank Co., Ltd. 51% of the issued share capital of South Hope Industrial Co., Ltd. was held by New Hope Group Co., Ltd., while Mr. LIU Yonghao held 90.59% of the issued share capital of New Hope Group Co., Ltd. Mr. LIU Yonghao was deemed to be interested in the equity interest held by South Hope Industrial Co., Ltd. in Tibet Linzhi Minsheng Rural Bank Co., Ltd. according to the SFO.

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Save as disclosed above, as at 31 December 2021, none of the Directors, Supervisors or chief executives held or was deemed to hold any interests and/or short positions in the shares, underlying shares or debentures of the Bank or any of its associated corporations (as defined in the SFO), which were recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Bank and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code set out in Appendix 10 to the Hong Kong Listing Rules, nor had they been granted such rights.

(IX) Contractual rights and interests and service contracts of Directors and Supervisors

No transaction, arrangement or contract of significance, to which the Bank or any of its subsidiaries was a party and in which a Director or Supervisor of the Bank or entities related to a Director or Supervisor of the Bank had a material interest, subsisted during the Reporting Period. None of the Directors and Supervisors of the Bank has entered into any service contract with the Bank which is not terminable by the Bank within one year without payment of compensation (excluding statutory compensation).

(X) Financial, business and family relationships among Directors, Supervisors and Senior Management

The Bank has made enquiries to confirm that, among the members of the Board and the Board of Supervisors of the Bank, Mr. YANG Xiaoling, a Non-Executive Director, is a deputy general manager and chief operating officer of Dajia Insurance Group Co., Ltd. and the general manager of Dajia Life Insurance Co., Ltd. (the term of office ended in December 2021), while Mr. ZHAO Peng, a Non-Executive Director, is an assistant general manager and board secretary of Dajia Insurance Group Co., Ltd. and a director of Dajia Life Insurance Co., Ltd. Save as disclosed above, there are no other relationships between the members of the Board and the Board of Supervisors (including financial, business, family or other material or relevant relationships).

VII. Board of Directors

The Board of Directors is responsible to the Shareholders' General Meeting and is the decision-making body of the Bank, and its functions and powers are exercised collectively by the Board of Directors. For details of the duties of the Board of Directors, please refer to "(III) Duties of the Board of Directors" of "VII. Board of Directors" in "Chapter 7 Corporate Governance".

(I) Composition of the Board of Directors

As at the end of the Reporting Period, the Board of the Bank had 18 members, of which nine were Non-Executive Directors, three were Executive Directors and six were Independent Non-Executive Directors. All Non-Executive Directors held key positions in renowned enterprises and were experienced in management, finance and accounting, while the three Executive Directors had been engaged in banking operation and management for a long time with extensive professional experiences. The six Independent Non-Executive Directors were experts in economics, finance, accounting and law respectively. One of the Independent Non-Executive Directors was from Hong Kong and was familiar with the IFRS and regulations of the Hong Kong capital market and equipped with extensive banking management experience.

The structure of the Board embodies qualities including professionalism, independence and diversity, which helps ensure that the Board can make decision in a rational manner.

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The Bank considers diversified composition of the Board is beneficial to enhance the operating quality of The Bank. Therefore, the Bank formulated the Policy of Board Diversity《董事會成員多元化政策》in August 2013, specifying that the Bank should take various factors, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, into consideration in determining the members of the Board for more diversified Board composition. The final candidates shall be elected based on his/her value and contributions to the Board. The Nomination Committee shall supervise the implementation of the Policy of Board Diversity, and shall analyse and assess the structure, composition and diversity of members of the Board (including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and term of office) and make suggestions to the Board for implementation of the strategies of the Bank annually.

(II) Resume of the incumbent Directors

Executive Directors

Mr. GAO Yingxin, born in 1962, is Chairman and an Executive Director of the Bank and Chairman of the Strategic Development and Consumer Rights Protection Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee of the Board. Mr. GAO is chairman of CMBC International and a member of the 13th CPPCC National Committee. Before joining the Bank, he was a vice chairman of the board and the chief executive of BOC Hong Kong (Holdings) Limited (listed on the SEHK (stock code: 02388)) and Bank of China (Hong Kong) Limited from January 2018 to May 2020, an executive director of Bank of China Limited (BOC) (listed on the SSE (stock code: 601988) and on the SEHK (stock code: 03988)) from December 2016 to January 2018, an executive vice president of Bank of China Limited from February 2015 to January 2018, an executive director and a deputy chief executive of BOC Hong Kong (Holdings) Limited and Bank of China (Hong Kong) Limited from February 2005 to February 2015, president and chief operating officer of BOC International Holdings Limited from July 2004 to February 2005, general manager of the corporate banking department of BOC head office from June 1999 to July 2004 and a deputy general manager of the credit department and a deputy general manager of the corporate banking department of BOC head office from September 1996 to June 1999. Mr. GAO obtained his Master's Degree in Engineering from East China University of Science and Technology in 1986 and is a senior economist.

Mr. ZHENG Wanchun, born in 1964, is a Vice Chairman, an Executive Director and President of the Bank. He is also a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board. Before joining the Bank, Mr. ZHENG served as a vice president of Industrial and Commercial Bank of China Limited (ICBC) (listed on the SSE (stock code: 601398) and on the SEHK (stock code: 01398)) from September 2013 to October 2015. Prior to that, he was president of China Great Wall Asset Management Corporation from February 2011 to September 2013, a vice president of China Huarong Asset Management Co., Ltd., chairman of Huarong Securities and chairman of Rongde Asset Management Co., Ltd., a joint venture of China and Germany, from December 2004 to February 2011, and served concurrently as chairman of Huarong Futures from January 2009 to February 2011. He was also an assistant president of China Huarong Asset Management Co., Ltd. from September 2003 to December 2004, general manager of the operation management department of China Huarong Asset Management Co., Ltd. from April 2002 to August 2004, general manager of the creditor rights management department of China Huarong Asset Management Co., Ltd. from June 2000 to April 2002, a deputy general manager of the industrial and commercial credit department of ICBC head office from October 1999 to June 2000, general manager of the business department and an assistant president of ICBC Hainan branch from November 1998 to October 1999, president of the Yangpu branch of Hainan Province of ICBC from April 1997 to November 1998, and a deputy division director then division director of the industrial and transportation credit department of ICBC head office from July 1991 to April 1997. Mr. ZHENG obtained his Ph.D. Degree in Economics from Renmin University of China in 2000 and is a senior economist.

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Mr. YUAN Guijun, born in 1963, is an Executive Director and an Executive Vice President of the Bank and a member of the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board. Before joining the Bank, Mr. YUAN was president of the Beijing branch of China Construction Bank (CCB) from 2017 to 2020, president of CCB Liaoning branch from 2013 to 2017, a deputy general manager then general manager of the corporate banking department of CCB head office from 2007 to 2013, and an assistant general manager then a deputy general manager of the risk management department of CCB head office from 2004 to 2007. He also worked in the investment department, credit management department, credit risk management department and the credit management division of the risk management department of CCB head office from 1986 to 2004. Mr. YUAN obtained his EMBA Degree from Tsinghua University and is a senior economist.

Non-Executive Directors

Mr. ZHANG Hongwei, born in 1954, is a Vice Chairman and a Non-Executive Director of the Bank, and also a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. Mr. ZHANG is chairman of United Energy Group Limited (listed on the SEHK (stock code: 00467)) and Orient Group Co., Ltd. Mr. ZHANG was previously the honorary chairman and a director of Orient Group Incorporation (listed on the SSE (stock code: 600811)), chairman of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190)), a member of the 11th CPPCC National Committee and a standing committee member of the 10th CPPCC National Committee. Mr. ZHANG served as a vice chairman of ACFIC from 1997 to 2007. Mr. ZHANG obtained his MBA Degree from Harbin Institute of Technology in 1996 and is a senior economist.

Mr. LU Zhiqiang, born in 1951, is a Vice Chairman and a Non-Executive Director of the Bank, and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. Mr. LU was a Director of the Bank from the establishment of the Bank to June 2003, Chairman of the Board of Supervisors of the Bank from June 2003 to December 2004, and a Vice Chairman of the Board of Supervisors of the Bank from December 2004 to June 2006. Mr. LU is chairman and president of Tohigh Holdings Co., Ltd. and Oceanwide Group Co., Ltd., and chairman of China Oceanwide Holdings Group Co., Ltd. Mr. LU was president of China Oceanwide Holdings Group Co., Ltd. and chairman of Oceanwide Holdings Co., Ltd. (listed on the SZSE (stock code: 000046)). Mr. LU was also a non-executive director of Legend Holdings Corporation (listed on the SEHK (stock code: 03396)) and a director of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. LU served successively as a standing committee member and a vice chairman of ACFIC from 1998 to 2012 and a member of the 9th and 10th CPPCC National Committee and a standing committee member of the 11th and 12th CPPCC National Committee from 1998 to 2018. Mr. LU obtained his Master's Degree in Economics from Fudan University in 1995 and is a research fellow.

Mr. LIU Yonghao, born in 1951, is a Vice Chairman and a Non-Executive Director of the Bank, and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. He was previously a Vice Chairman of the Board from the establishment of the Bank to 2006. Mr. LIU is currently chairman and president of New Hope Group Co., Ltd., a director of New Hope Liuhe Co., Ltd. (listed on the SZSE (stock code: 000876)) and chairman of the General Association

of Sichuan Entrepreneurs. Mr. LIU is a member of the 13th CPPCC National Committee, a vice president of China Association of Agricultural Leading Enterprises, a vice president of China Association for Public Companies and one of the promoters of China Society for Promotion of the Guangcai Programme. Mr. LIU was previously a vice chairman of the seventh and eighth sessions of ACFIC, a member of the 8th, 9th, 10th and 11th CPPCC National Committee, a standing committee member of the 9th and 10th CPPCC National Committee, a vice chairman of the 10th and 11th Committee for Economic Affairs of CPPCC National Committee, a representative of the 12th National People's Congress (NPC) and a vice president of China Society for Promotion of the Guangcai Programme.

Mr. SHI Yuzhu, born in 1962, is a Non-Executive Director of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee and the Nomination Committee of the Board. Mr. SHI was previously a Non-Executive Director of the Bank from 2006 to 2014. Mr. SHI is chairman of Giant Network Group Co., Ltd. (listed on the SZSE (stock code: 002558)) (formerly known as Chongqing New Century Cruise Co., Ltd.), Giant Interactive Group Inc. (formerly known as Shanghai ZhengTu Interactive Group Inc.) and Giant Charity Foundation. Mr. SHI was previously a director of Shanghai ZhengTu Interactive Group Inc. from 2006 to 2018, and a vice chairman of China Minsheng Investment Group Corp., Ltd. from 2014 to 2018. Mr. SHI obtained his Bachelor's Degree in Mathematics from Zhejiang University in 1984 and graduated from the postgraduate programme of soft science from Shenzhen University in 1990.

Mr. WU Di, born in 1965, is a Non-Executive Director of the Bank and a member of the Compensation and Remuneration Committee, the Risk Management Committee and the Related Party Transactions Supervision Committee of the Board. Mr. WU is chairman and general manager of Good First Group Co., Ltd., a director of Hangzhou United Rural Commercial Bank, and chairman and an executive director of Datang Group Holdings Limited (listed on the SEHK (stock code: 02117)). Mr. WU is a representative of the Fujian Provincial People's Congress, a vice chairman of Fujian Federation of Commerce & Industry, an honorary vice chairman of Fujian Society for Promotion of the Guangcai Programme, honorary chairman of the Non-Stated-Owned Enterprise Chamber of Commerce in Fujian, a member of the CPPCC Xiamen Municipal Committee, a vice chairman of Xiamen Municipal Committee of China National Democratic Construction Association (CNDCA), honorary chairman of the Xiamen Chamber of Commerce in Shanghai, chairman of the Liaoning Chamber of Commerce in Fujian and a council member of Jimei University. Mr. WU obtained his Ph.D. Degree in Economics from Renmin University of China and now serves as a guest professor of Renmin University of China. Mr. WU is a senior economist.

Mr. SONG Chunfeng, born in 1969, is a Non-Executive Director of the Bank and a member of the Risk Management Committee, the Audit Committee and the Related Party Transactions Supervision Committee of the Board. Mr. SONG is general manager of China Shipowners Mutual Assurance Association, a vice president of China Shipowners' Association, vice chairman of Quanzhou Jinjiang COSCO Development Co., Ltd., an executive director of China P&I Management Co., Ltd., a director of China P&I Services (Hong Kong) Limited, an executive director of Shanghai Haixing Asset Management Limited, and a director of CPI Services (UK) Limited. Mr. SONG was a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)), a managing director of COSCO (Hong Kong) Insurance Brokers Limited, chairman and general manager of Shenzhen COSCO Insurance Brokers Limited, manager

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of the commerce office under the transportation department of COSCO/China COSCO Holdings Co., Ltd. (listed on the SSE (stock code: 601919) and on the SEHK (stock code: 01919)), and a principal staff member, a deputy director, director and a manager of the commerce office of the commerce division under the transportation department of COSCO. Mr. SONG obtained his Ph.D. Degree in Law from Peking University in 2006 and is a senior economist.

Mr. WENG Zhenjie, born in 1962, is a Non-Executive Director of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee, the Compensation and Remuneration Committee and the Audit Committee of the Board. Mr. WENG is chairman of Chongqing International Trust Company Limited and GuoDu Securities Co., Ltd. (listed on National Equities Exchange and Quotations (stock code: 870488)). Mr. WENG also serves as a director of Chongqing Three Gorges Bank Co., Ltd., Hefei Science & Technology Rural Commercial Bank Company Limited, China Trust Protection Fund Co., Ltd., and China Trust Registration Corporation Limited, a vice chairman of the Chongqing Municipal Committee of CNDCA, a standing committee member of the 5th CPPCC Chongqing Municipal Committee and a deputy officer of the 11th Central Financial Committee of CNDCA. Mr. WENG worked as chairman and chief executive officer of Chongqing International Trust Company Limited, chairman of Southwest Securities Co., Ltd. (listed on the SSE (stock code: 600369)), chairman of Chongqing Three Gorges Bank Co., Ltd., a member of the 9th Central Economic Committee of CNDCA, a deputy officer of the 10th Central Financial Committee of CNDCA, a representative of the third and fourth Chongqing Municipal People's Congress, and a standing committee member of Chongqing Municipal People's Congress, a deputy general manager of Beijing Centergate Technologies (Holding) Co., Ltd. and an instructor of the Chinese People's Liberation Army Institute of Telecommunication Engineering. Mr. WENG obtained his Master's Degree in Engineering in 1986. He is a senior economist, an expert with special allowances of the State Council and has been granted the honorary title of National Model Worker.

Mr. YANG Xiaoling, born in 1958, is a Non-Executive Director of the Bank and a member of the Compensation and Remuneration Committee of the Board. Mr. YANG served as a deputy general manager and chief operating officer of Dajia Insurance Group Co., Ltd., general manager of Dajia Life Insurance Co., Ltd., an assistant general manager (chief digital officer) of China Pacific Insurance (Group) Co., Ltd. (listed on the SSE (stock code: 601601); on the SEHK (stock code: 02601); and on the London Stock Exchange (stock code: CPIC)), a deputy executive general manager and director of transformation and promotion of China Pacific Life Insurance Co., Ltd., general manager of strategic planning department of China Pacific Insurance (Group) Co. Ltd., general manager of the Beijing branch of China Pacific Life Insurance Co., Ltd., a deputy director of the claim underwriting and settlement centre of China Pacific Life Insurance Co. Ltd., a department manager and a deputy general manager of the Shanghai branch of China Pacific Life Insurance Co., Ltd. Mr. YANG obtained his MBA Degree from Macau University of Science and Technology in 2002. He has the qualification for an intermediate-level insurance economist.

Mr. ZHAO Peng, born in 1973, is a Non-Executive Director of the Bank and a member of the Strategic Development and Consumer Rights Protection Committee and the Risk Management Committee of the Board. Mr. ZHAO is currently an assistant general manager and board secretary of Dajia Insurance Group Co., Ltd., a director of Dajia Life Insurance Co., Ltd., a vice chairman of Financial Street Holdings Co., Ltd.

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(listed on the SZSE (stock code: 000402)) and a director of Sino-Ocean Group Holding Limited (listed on the SEHK (stock code: 03377)). Mr. ZHAO served as a member of the team designated by the CBIRC to take over Anbang Insurance Group, a deputy division director then division director of the development and reform department of the former CIRC, and an executive member of Rizhao Commercial Bank and a director of Beijing Tong Ren Tang Co., Ltd. (listed on the SSE (stock code: 600085)). Mr. ZHAO obtained his Ph.D. Degree in Economic Law from China University of Political Science and Law in 2014. He has the qualification for an economist.

Independent Non-Executive Directors

Mr. LIU Jipeng, born in 1956, is currently an Independent Non-Executive Director of the Bank and Chairman of the Compensation and Remuneration Committee and a member of the Nomination Committee and the Related Party Transactions Supervision Committee of the Board. Mr. LIU is currently dean, a tier-2 professor and a doctoral supervisor of the Business School and Capital Finance Institute of China University of Political Science and Law. He is also a legal adviser of the State-Owned Assets Supervision and Administration Commission of the State Council, a deputy head of the Independent Non-executive Director Committee of China Association for Public Companies, a vice chairman of China Enterprise Reform and Development Society and chief expert of major programme of the National Social Science Fund of China, an independent non-executive director of China Oceanwide Holdings Limited (listed on the SEHK (stock code: 00715)), Chongqing Changan Automobile Co., Ltd. (listed on the SZSE (stock code: 000625)), China Tonghai International Financial Limited (previously known as China Oceanwide International Financial Limited, and listed on the SEHK (stock code: 00952)), and an independent director of Cecep Solar Energy Co., Ltd (listed on the SZSE (stock code: 000591)). Mr. LIU was previously dean of the Business School of China University of Political Science and Law, a professor and director of corporate research centre of the Capital University of Economics and Business, a director and an associate professor of CITIC International Research Centre (中信國際研究所) and an academic secretary and research associate of the Institute of Industrial Economics of China Academy of Social Science. He was previously an independent non-executive director of AVIC Capital Co., Ltd. (listed on the SSE (stock code: 600705)), Dalian Wanda Commercial Properties Co., Ltd. (previously listed on the SEHK (stock code: 03699) (delisted)), Wanda Hotel Development Company Limited (listed on the SEHK (stock code: 00169)), China-Singapore Suzhou Industrial Park Development Group Co., Ltd. (listed on the SSE (stock code: 601512)) and Zhongjin Gold Corporation Limited. (listed on the SSE (stock code: 600489)), and an independent director of Valiant Co., Ltd. (listed on the SZSE (stock code: 002643)) and CECEP Guozhen Environmental Protection Technology Co., Ltd. (listed on the SZSE (stock code: 300388)). Mr. LIU obtained his Bachelor's Degree from the Department of Industry and Economics of Beijing Institute of Economics in 1983 and his Master's Degree in Economics from the Chinese Academy of Social Sciences in 1986. Mr. LIU has the qualifications for tier-2 professors, senior professors, and senior economists and is a certified public accountant (non-practicing).

Mr. LIU has many years of experience in economic studies and management of listed companies and can diversify the composition of the Board. He will provide the Board with knowledge and experience in strategic management and corporate governance.

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Mr. LI Hancheng, born in 1963, is now an Independent Non-Executive Director of the Bank and Chairman of the Related Party Transactions Supervision Committee and a member of the Nomination Committee, the Compensation and Remuneration Committee and the Risk Management Committee of the Board. Mr. LI is currently a senior partner, director, and chairman of the business management and risk control committee of the Board of Beijing S&P Law Firm and director of the executive committee and a lawyer of Beijing S&P Haikou Law Firm, and is qualified as a lawyer in the People's Republic of China. He is also a member of China Maritime Law Association, All China Lawyers Association, and Hainan Lawyers Association. He has been an independent non-executive director of Styland Holdings Limited (listed on the SEHK (stock code: 00211)), an external director of Beijing Electronics Holding Company Limited, and an independent director of SnowValley Agricultural Development Co., Ltd. Mr. LI was previously the administration officer and manager of Beijing S&P Law Firm and a staff member, a principal staff member and a deputy director of the office of personnel, and an assistant judge, a judge and a senior judge of the economic division of the Supreme People's Court of the People's Republic of China. Mr. LI obtained his Bachelor's Degree in Law from Southwest College of Political Science & Law (currently known as Southwest University of Political Science and Law) in 1984.

Mr. LI has many years of experience in commercial laws and can diversify the composition of the Board. He will contribute to compliance risk management of the Bank in respect of the commercial and legal areas.

Mr. XIE Zhichun, born in 1958, is currently an Independent Non-Executive Director of the Bank and also Chairman of the Risk Management Committee and a member of the Nomination Committee and the Compensation and Remuneration Committee of the Board. Mr. XIE is now an executive director and chairman of China Fortune Financial Group Limited (listed on the SEHK (stock code: 00290)), an independent non-executive director of China Taiping Insurance Holdings Company Limited (listed on the SEHK (stock code: 00966)), a vice chairman of the consultation committee of Qianhai & Shekou Area of Shenzhen of China (Guangdong) Pilot Free Trade Zone and Qianhai Shenzhen-Hong Kong Cooperation Zone, a distinguished professor of the Research Centre for Economic Development in China's Special Economic Zone in Shenzhen University and a postgraduate supervisor of PBC School of Finance of Tsinghua University. Mr. XIE served before as an independent non-executive director of SuperRobotics Holdings Limited (listed on the SEHK (stock code: 08176)), a deputy general manager of China Investment Corporation and an executive director and general manager of Central Huijin Investment Ltd., an executive director and a deputy general manager of China Everbright Group Limited, chairman of the board of directors of Sun Life Everbright Life Insurance Co., Ltd., chairman of the board of directors of Sun Life Everbright Asset Management Co., Ltd., a vice president of China Everbright Bank Company Limited (listed on the SSE (stock code: 601818) and on the SEHK (stock code: 06818)), a director and president of Everbright Securities Company Limited, a vice chairman (unattending) of China Enterprises Association (Singapore), and a vice chairman (unattending) of Securities Association of China. Mr. XIE obtained his Bachelor's Degree in Philosophy from Heilongjiang University in 1982, Master's Degree in Economics from Harbin Institute of Technology in 1993 and Ph.D. Degree in Economics from Nankai University in 2004. Mr. XIE attended advanced management programmes in Yale School of Management in the United States from August to September 2011 and in Harvard Business School (AMP156) from April to July 1999, respectively. Mr. XIE is currently a senior economist.

Mr. XIE has many years of experience in the management of banks and asset management companies and can diversify the composition of the Board. He will provide the Board with experience in financial investment and management of banking business.

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Mr. PENG Xuefeng, born in 1962, is now an Independent Non-Executive Director of the Bank and Chairman of the Nomination Committee, and a member of the Compensation and Remuneration Committee and the Audit Committee of the Board. Mr. PENG is director of Dentons China (Beijing Dacheng Law Office), and an independent non-executive director of Dong Yi Ri Sheng Home Decoration Group Co., Ltd. (listed on the SZSE (stock code: 002713)). Mr. PENG was a lawyer of Beijing No. 4 Law Firm (北京市第四律師事務所), a lawyer and deputy director of Beijing Yanshan Law Firm (北京市燕山區律師事務所), a clerk of Cangzhou Intermediate People's Court of Hebei Province. He served previously as an independent non-executive director of Beijing Haohua Energy Resource Co., Ltd. (listed on the SSE (stock code: 601101)), Beijing SINODATA Co., Ltd. (listed on the SZSE (stock code: 002657)), Beijing Vantone Real Estate Co., Ltd. (listed on the SSE (stock code: 600246)), Shandong Shipping Corporation (listed on National Equities Exchange and Quotations (stock code: 835589)), Huida Sanitary Ware Co., Ltd. (listed on the SSE (stock code: 603385)) and Henan Zhongfu Industrial Co., Ltd. (listed on the SSE (stock code: 600595)). He was also previously a standing committee member of the 12th CPPCC National Committee, a deputy to the 11th NPC, a vice president of the fifth session of All China Lawyers Association, a standing council member of the fourth session of All China Lawyers Association, a vice chairman of the sixth and the seventh sessions of Beijing Lawyers Association, a standing council member of the fourth and the fifth sessions of Beijing Lawyers Association, a member of the standing committee of the tenth session of All-China Youth Federation, a member of the eighth session of All-China Youth Federation, a standing member and chief supervisor of the ninth session of Beijing Youth Federation and a member of the seventh and eighth sessions of Beijing Youth Federation. Mr. PENG obtained his Ph.D. Degree in International Finance Law from Peking University in 2008 and has the qualification for lawyers, qualification for lawyers engaged in securities and qualification for certified tax agents.

Mr. PENG has many years of experience in legal practice and public administration and can diversify the composition of the Board. He will provide advice on legal matters and improve the internal control system of the Bank.

Mr. LIU Ningyu, born in 1969, is currently an Independent Non-Executive Director of the Bank and Chairman of the Audit Committee and a member of the Nomination Committee, the Compensation and Remuneration Committee, the Related Party Transactions Supervision Committee and the Risk Management Committee of the Board. Mr. LIU now serves as the managing partner of Zhongshen Zhonghuan Certified Public Accountants (special general partnership), a vice chairman of Liaoning Institute of Certified Public Accountants, a vice chairman of Liaoning Province Appraisal Society, a director of China Engineering Cost Association and an independent non-executive director of Luoyang Zhongchao New Material Co., Ltd. He was before the managing partner of Ruihua Certified Public Accountants (special general partnership) (瑞華會計師事務所(特殊普通合伙)), the managing partner of Crowe Horwath China CPAs (special general partnership) (國富浩華會計師事務所(特殊普通合伙)), chief executive officer of Crowe Horwath China CPAs (國富浩華會計師事務所有限公司), the chief accountant of Liaoning Wanlong Jinhui CPA Co., Ltd. (遼寧萬隆金匯會計師事務所有限公司), a project manager of Liaoning Accounting Firm (遼寧會計師事務所) and an independent non-executive director of Jinzhou Port Co., Ltd. (listed on the SSE (stock code: 600190)). Mr. LIU obtained his MBA Degree from Macau University of Science and Technology in 2004 and studied in an advanced course for Executive Modern Corporate Management (EMBA) at Peking University from 2012 to 2013. Mr. LIU is a professor-level senior accountant, a certified public accountant, a certified public valuer, a certified public accountant in Australia, one of the national leading talents in accounting and a senior member of the Chinese Institute of Certified Public Accountants.

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Mr. LIU has many years of experience in accounting and corporate governance and can diversify the composition of the Board. He will provide valuable advice to the Board on financial management and audit.

Mr. QU Xinjiu, born in 1964, is an Independent Non-Executive Director of the Bank and a member of the Nomination Committee, the Audit Committee and the Related Party Transactions Supervision Committee of the Board at present. He is currently a professor of China University of Political Science and Law and a part-time lawyer of Beijing Fada Law Firm. Mr. QU served previously as a deputy dean and dean of the School of Criminal Justice of China University of Political Science and Law, director of the Institute of Criminal Law of the School of Criminal Justice of China University of Political Science and Law, and served concurrently as a deputy director of the investigation supervision department of the Supreme People's Procuratorate of the People's Republic of China, a deputy procurator-general of People's Procuratorate of Fengtai District of Beijing Municipality, a part-time associate of Beijing Dadi Law Firm. Mr. QU obtained his Ph.D. degree in Procedural Law from China University of Political Science and Law in 2001. Mr. QU has the qualifications for university teachers and lawyers.

Mr. QU has many years of experience in legal practice and can promote the diversification of composition of the Board. He will provide the Board valuable advice on policy making and compliant operation.

(III) Duties of the Board of Directors

In accordance with the Articles of Association of the Bank, the Board of Directors mainly exercises the following functions and powers: to convene shareholders' general meetings and implement the resolutions of shareholders' general meetings, to formulate major objectives, policies and development strategies of the Bank; to decide on the Bank's operating plans, investment plans and internal management units setting; to formulate annual financial budget, final accounts and profit distribution plans; to appoint or remove senior executives and decide on matters relating to their remuneration, rewards and punishments; to formulate the Bank's basic management system; to manage the Bank's information disclosure; to review work reports of the President of the Bank and examine the President's performance. The Board of Directors shall continuously examine and update various corporate governance policies and systems such as the Articles of Association of the Bank in accordance with the laws and regulations applicable to the Bank, relevant regulatory requirements and listing rules, and ensure that the Bank complies with the policies and systems.

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(IV) Attendance of the Directors of the Bank at Board meetings and shareholders' general meetings in 2021

		Attendance at the Board meetings						
Name of Directors	Whether He/She Is an Independent Director	Number of Board Meetings During the Year	Attendance in Person	Attendance by the Means of Telecommunication	Attendance by Entrustment	Absence	Whether Failed to Attend the Meeting in Person for Two Consecutive Times	Attendance at General Meetings
GAO Yingxin	N	13	13	6	0	0	N	2
ZHANG Hongwei	N	13	13	6	0	0	N	2
LU Zhiqiang	N	13	13	6	0	0	N	2
LIU Yonghao	N	13	13	6	0	0	N	2
ZHENG Wanchun	N	13	13	6	0	0	N	2
SHI Yuzhu	N	13	13	6	0	0	N	2
WU Di	N	13	13	6	0	0	N	2
SONG Chunfeng	N	13	13	6	0	0	N	2
WENG Zhenjie	N	13	13	6	0	0	N	2
YANG Xiaoling	N	13	13	6	0	0	N	2
ZHAO Peng	N	13	13	6	0	0	N	2
LIU Jipeng	Y	13	13	6	0	0	N	2
LI Hancheng	Y	13	13	6	0	0	N	2
XIE Zhichun	Y	13	13	6	0	0	N	2
PENG Xuefeng	Y	13	12	6	1	0	N	2
LIU Ningyu	Y	13	13	6	0	0	N	2
QU Xinjiu	Y	13	13	6	0	0	N	2
YUAN Guijun	N	13	13	6	0	0	N	1

Notes:

1. For details of the changes of Directors, please refer to "VI. Directors, Supervisors and Senior Management" in "Chapter 7 Corporate Governance";

2. The Directors only attended but refrained from voting at the meetings prior to CBIRC's approval on their qualifications.

Number of Board meetings held during the year	13
Including: Number of on-site meetings	7
Number of meetings held by the means of telecommunication	6

Notes:

1. The "on-site meetings" refer to those held through face-to-face, telephone or video methods that ensure timely communication and discussion among participants;

2. The "meetings held by the means of telecommunication" refer to those that make decisions on the proposals through sending proposals respectively for consideration or circulating proposals for consideration.

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(V) Board meetings and resolutions

Meeting	Date	Publication	Date of Disclosure
5th meeting of the eighth session of the Board	29 January 2021	Shanghai Securities News, China Securities Journal and Securities Times	30 January 2021
6th meeting of the eighth session of the Board	24 February 2021	Shanghai Securities News, China Securities Journal and Securities Times	25 February 2021
7th meeting of the eighth session of the Board	30 March 2021	Shanghai Securities News, China Securities Journal and Securities Times	31 March 2021
8th meeting of the eighth session of the Board	29 April 2021	Shanghai Securities News, China Securities Journal and Securities Times	30 April 2021
9th meeting of the eighth session of the Board	31 May 2021	Shanghai Securities News, China Securities Journal and Securities Times	1 June 2021
10th meeting of the eighth session of the Board	28 June 2021	Shanghai Securities News, China Securities Journal and Securities Times	29 June 2021
11th meeting of the eighth session of the Board	30 July 2021	Shanghai Securities News, China Securities Journal and Securities Times	31 July 2021
2nd extraordinary meeting of the eighth session of the Board	4 August 2021	Shanghai Securities News, China Securities Journal and Securities Times	5 August 2021
12th meeting of the eighth session of the Board	27 August 2021	Shanghai Securities News, China Securities Journal and Securities Times	28 August 2021
13th meeting of the eighth session of the Board	28 September 2021	Shanghai Securities News, China Securities Journal and Securities Times	29 September 2021
14th meeting of the eighth session of the Board	29 October 2021	Shanghai Securities News, China Securities Journal and Securities Times	30 October 2021
15th meeting of the eighth session of the Board	30 November 2021	Shanghai Securities News, China Securities Journal and Securities Times	1 December 2021
16th meeting of the eighth session of the Board	28 December 2021	Shanghai Securities News, China Securities Journal and Securities Times	29 December 2021

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(VI) Performance of Independent Non-Executive Directors

The Board of the Bank comprises six Independent Non-Executive Directors. The qualifications of Independent Non-Executive Directors are in compliance with the provisions of the CBIRC, the CSRC, and the SSE and the Hong Kong Listing Rules. During the Reporting Period, these Independent Non-Executive Directors duly performed their duties by maintaining communication with the Bank through various means, such as attending office in the Bank, conducting on-site visits, holding special investigation, forums and special conferences, attending the Board meetings and meetings of the special committees of the Board conscientiously, making suggestions actively and emphasising minority shareholders' interests.

1. On-Duty policy for Independent Non-Executive Directors

In order to fully perform the functions of Independent Non-Executive Directors and improve the effectiveness of the Board, the Board of the Bank has adopted an on-duty policy since March 2007, pursuant to which Independent Non-Executive Directors are required to work in the Bank for one to two days per month. The Bank provided offices and facilities for the Independent Non-Executive Directors. During the Reporting Period, all Independent Non-Executive Directors have complied with the on-duty policy. The main duties of the Independent Non-Executive Directors while they are on duty are: to study the works of their respective committees; to review work reports of the Senior Management or various departments of the Head Office; to visit the branches of the Bank for special investigations; and to supervise the formulation of or amendment to rules relevant to corporate governance. The on-duty policy of Independent Non-Executive Directors provides important support and assurance for Independent Non-Executive Directors to give full effect of their expertise to provide professional opinion to the decision-making of the Board. The implementation of the policy has supported and ensured the rationality and independence of the decision-making of the Board.

2. Rules governing Independent Non-Executive Directors' work on annual reports

In order to further improve the corporate governance of the Bank with an aim to fully perform the duties of Independent Non-Executive Directors in governing information disclosure so as to ensure the truthfulness, accuracy, completeness and timeliness of the information disclosed in the annual reports of the Bank, the Working Rules for Involvement of Independent Non-Executive Directors in the Preparation of Annual Report《獨立非執行董事年報工作制度》was considered and approved at the 16th meeting of the fourth session of the Board.

Pursuant to the rules, the Independent Non-Executive Directors are required to perform their responsibilities and duties diligently in the process of preparation and disclosure of the annual reports of the Company. The management of the Company shall fully report the annual operating results and the progress of material issues to the Independent Non-Executive Directors within 60 days after the end of each fiscal year. The Independent Non-Executive Directors may conduct investigation on certain issues if necessary. The Independent Non-Executive Directors shall verify the qualification of the accountants to be engaged by the Company and the qualification of the certified public accountants responsible for the auditing of the annual reports of the Company. Upon the issuance of the preliminary audit opinion, the Independent Non-Executive Directors shall hold at least one meeting with the certified public accountants responsible for the auditing of the annual reports of the Company to discuss the issues identified in the auditing process before a Board meeting is convened to review the annual reports.

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Pursuant to the rules, the Independent Non-Executive Directors have performed their responsibilities and duties diligently and strictly complied with the relevant rules and regulations of the Company and the regulatory authorities in preparation and disclosure of the 2021 Annual Report of the Bank. The Independent Non-Executive Directors have received briefings on reports from the management of the Company on the operation and development of material issues of 2021, maintained continuous communication with the accounting firm in respect of the annual auditing and reviewed auditing plans, and received briefings on report on pre-auditing and auditing from the accounting firms.

3. Other duties of Independent Non-Executive Directors

The Independent Non-Executive Directors shall give independent opinions on the following issues at Board meetings or shareholders' general meetings:

(1) Nomination, appointment and removal of Directors;

(2) Appointment or removal of Senior Management;

(3) Profit distribution plan;

(4) Remuneration of Directors and Senior Management;

(5) Legality and fairness of major related party transactions between the shareholders, ultimate controllers and their respective related companies and the Bank, and whether the Bank has taken effective measures to collect outstanding payments;

(6) Engagement of external auditors;

(7) Matters that may cause substantial loss of the Bank;

(8) Issues that Independent Non-Executive Directors considered may prejudice the legal interests of depositors, minority shareholders and other relevant interested parties;

(9) Other issues stipulated by the laws and regulations, normative documents and the Articles of Association of the Bank.

The Independent Non-Executive Directors of the Bank have also played important roles in various special committees of the Board. They have acted as the convener of the meetings of the Compensation and Remuneration Committee, Audit Committee, Nomination Committee, Related Party Transactions Supervision Committee and Risk Management Committee of the Board. The majority of members of the Compensation and Remuneration Committee, Nomination Committee, Related Party Transactions Supervision Committee and Audit Committee are Independent Non-Executive Directors. At least one Independent Non-Executive Director in each of the Audit Committee and Related Party Transactions Supervision Committee has professional accounting experience.

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4. Attendance of the Independent Non-Executive Directors at meetings during the year

For details of the attendance of the Independent Non-Executive Directors at meetings, please refer to "(IV) Attendance of the Directors of the Bank at Board meetings and shareholders' general meetings in 2021" of "VII. Board of Directors" in "Chapter 7 Corporate Governance".

5. Establishment and operation of the special meeting mechanism for Independent Non-Executive Directors

During the Reporting Period, a special meeting mechanism has been established for all Independent Non-Executive Directors of the Bank, and an Independent Non-Executive Director was elected as the convener of the meeting. Two special meetings were held to conduct in-depth discussions and give professional opinions on the improvement of the Bank's corporate governance system and the optimisation of the duty performance mechanism of Independent Non-Executive Directors, so as to give full play to the role of Independent Non-Executive Directors in performing duties.

(VII) Confirmation of independence of Independent Non-Executive Directors

All six Independent Non-Executive Directors of the Bank are not subject to the factors specified in rule 3.13 of the Hong Kong Listing Rules which would put their independence into question. Moreover, the Bank has received the annual confirmation of independence from each of the Independent Non-Executive Directors in accordance with the Hong Kong Listing Rules. Therefore, the Bank believes that all Independent Non-Executive Directors are independent.

(VIII) Chairman of the Board of Directors and President

The roles and duties of Chairman of the Board of Directors and President of the Bank are performed by different persons with clearly defined responsibilities in line with the Hong Kong Listing Rules.

During the Reporting Period, Mr. GAO Yingxin served as Chairman of the Board of Directors of the Bank. He was responsible for leading the Board and acting as Chairman of the Board meetings, and ensuring that all Directors were well informed of the issues to be discussed during the Board meetings. He was also responsible for managing the operation of the Board and ensuring that the Board discussed all major and relevant issues in a timely and constructive manner. To achieve this, Chairman of the Board collaborated with the relevant Senior Management to ensure that the Directors receive appropriate, complete and reliable information for their consideration and review.

During the Reporting Period, Mr. ZHENG Wanchun served as President of the Bank. He was responsible for the business operation of the Bank, the implementation of strategies and business plans of the Bank, and the daily operation and management of the Bank.

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(IX) Securities transactions by Directors, Supervisors and relevant employees

The Bank has adopted its own code of conduct of the Directors and the Supervisors regarding transactions in securities, on terms no less exacting than the Model Code as set out in the Appendix 10 to the Hong Kong Listing Rules. The Bank has made specific enquiries to all Directors and Supervisors who have confirmed that they have complied with the above-mentioned code for the year ended 31 December 2021. The Bank also formulated the guidelines for dealings in securities of the Bank by employees, which are no more lenient than the Model Code. The Bank is not aware of any non-compliance with these guidelines by the relevant employees.

(X) Responsibility statement of Directors regarding preparation of financial statements

All Directors of the Bank had acknowledged their responsibilities for the preparation of the financial statements of the Bank for the year ended 31 December 2021.

VIII. Responsibilities of Corporate Governance and Special Committees of the Board of Directors

Responsibilities of corporate governance of the Board

The corporate governance of the Bank is vested in the Board. The duties include: (1) to develop and review the corporate governance policy and practice of the Bank; (2) to review and monitor the training and continuous professional development of Directors and Senior Management; (3) to review and monitor the policies and practices in compliance with legal and regulatory requirements of the Bank; (4) to formulate, review and monitor the code of conduct for employees and Directors; and (5) to review the compliance of the Bank with the provisions of the Corporate Governance Code《企業管治守則》and disclosure in the Corporate Governance section in the Annual Report.

The major works of corporate governance performed by the Board of the Bank in 2021 were as follows: The Board carried out annual corporate governance assessment and comprehensively and systematically implemented various corporate governance requirements. It continuously optimised the Bank's corporate governance mechanism, improved the duty performance mechanism of the Board, and adjusted and improved the operation mode of duty performance of the special committees, strengthened the guarantee of Directors' duty performance, and built an information exchange and reporting mechanism for Directors to promote the sharing of information. The Board continued promoting and organising Directors and Senior Management to participate in internal and external special training, formulated the Code of Ethics of the Board of Directors《董事會職業道德準則》to clarify the value criterion of professional ethics and code of conduct that the Directors and the Senior Management should abide by, and supervised the implementation. The Board formulated and amended various corporate governance policies in accordance with domestic and overseas regulatory requirements so as to optimise its corporate governance system. The Board also confirmed that, save as disclosed in this Annual Report, the Bank had complied with the code provisions of Appendix 14 to the Hong Kong Listing Rules throughout 2021 based on its review.

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Composition, functions and powers of the six special committees of the Board and their duties performed in 2021 are as follows:

Members of the special committees of the Board of Directors

Special committees	Members
Strategic Development and Consumer Rights Protection Committee	GAO Yingxin (chairman), ZHANG Hongwei, LU Zhiqiang, LIU Yonghao, ZHENG Wanchun, SHI Yuzhu, WENG Zhenjie, ZHAO Peng
Nomination Committee	PENG Xuefeng (chairman), GAO Yingxin, ZHANG Hongwei, LU Zhiqiang, LIU Yonghao, SHI Yuzhu, LIU Jipeng, LI Hancheng, XIE Zhichun, LIU Ningyu, QU Xinjiu
Compensation and Remuneration Committee	LIU Jipeng (chairman), GAO Yingxin, WU Di, WENG Zhenjie, YANG Xiaoling, LI Hancheng, XIE Zhichun, PENG Xuefeng, LIU Ningyu
Risk Management Committee	XIE Zhichun (chairman), ZHENG Wanchun, WU Di, SONG Chunfeng, ZHAO Peng, LI Hancheng, LIU Ningyu, YUAN Guijun
Audit Committee	LIU Ningyu (chairman), SONG Chunfeng, WENG Zhenjie, PENG Xuefeng, QU Xinjiu
Related Party Transactions Supervision Committee	LI Hancheng (chairman), WU Di, SONG Chunfeng, LIU Jipeng, LIU Ningyu, QU Xinjiu, YUAN Guijun

Notes:

1. On 29 January 2021, according to the Resolution on Adjusting the Members of Some Special Committees of the Eighth Session of the Board of Directors of the Company《關於調整公司第八屆董事會部分專門委員會成員的決議》of the fifth meeting of the eighth session of the Board of Directors, Director YUAN Guijun joined the Risk Management Committee and the Related Party Transactions Supervision Committee of the eighth session of the Board of Directors.

2. On 30 July 2021, according to the Resolution on Adding a Member to the Risk Management Committee of the Eighth Session of the Board of Directors《關於增補第八屆董事會風險管理委員會成員的決議》of the eleventh meeting of the eighth session of the Board of Directors, Director LIU Ningyu was added as a member of the Risk Management Committee of the eighth session of the Board of Directors.

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Attendance of the Bank's Directors at the meetings of the special committees of the Board in 2021

	Special committees of the Board					
Directors	Strategic Development and Consumer Rights Protection Committee	Nomination Committee	Compensation and Remuneration Committee	Risk Management Committee	Audit Committee	Related Party Transactions Supervision Committee
	Attendance in person/Number of meetings					
Non-Executive Directors						
ZHANG Hongwei	10/10	6/6	–	–	–	–
LU Zhiqiang	10/10	6/6	–	–	–	–
LIU Yonghao	10/10	6/6	–	–	–	–
SHI Yuzhu	10/10	6/6	–	–	–	–
WU Di	–	–	4/4	14/14	–	8/8
SONG Chunfeng	–	–	–	14/14	7/7	8/8
WENG Zhenjie	10/10	–	4/4	–	7/7	–
YANG Xiaoling	–	–	4/4	–	–	–
ZHAO Peng	10/10	–	–	14/14	–	–
Executive Directors						
GAO Yingxin	10/10	6/6	4/4	–	–	–
ZHENG Wanchun	10/10	–	–	14/14	–	–
YUAN Guijun	–	–	–	13/13	–	8/8
Independent Non-Executive Directors						
LIU Jipeng	–	6/6	4/4	–	–	8/8
LI Hancheng	–	6/6	4/4	14/14	–	8/8
XIE Zhichun	–	6/6	4/4	14/14	–	–
PENG Xuefeng	–	6/6	4/4	–	7/7	–
LIU Ningyu	–	6/6	4/4	6/6	7/7	8/8
QU Xinjiu	–	6/6	–	–	7/7	8/8

Notes:

1. For details of the changes of Directors, please refer to "VI. Directors, Supervisors and Senior Management" in "Chapter 7 Corporate Governance";

2. On 29 January 2021, according to the Resolution on Adjusting the Members of Some Special Committees of the Eighth Session of the Board of Directors of the Company《關於調整公司第八屆董事會部分專門委員會成員的決議》of the fifth meeting of the eighth session of the Board of Directors, Director YUAN Guijun joined the Risk Management Committee and Related Party Transactions Supervision Committee of the eighth session of the Board of Directors. Therefore, the number of meetings of Risk Management Committee which he should attend was less than the number of meetings actually held;

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3. On 30 July 2021, according to the Resolution on Adding A Member to the Risk Management Committee of the Eighth Session of the Board of Directors《關於增補第八屆董事會風險管理委員會成員的決議》of the eleventh meeting of the eighth session of the Board of Directors, Director LIU Ningyu was added as a member of the Risk Management Committee of the eighth session of the Board of Directors. Therefore, the number of meetings of Risk Management Committee which he should attend was less than the number of meetings actually held;

4. According to the Working Rules for Involvement of Independent Directors in the Preparation of Annual Report《獨立董事年報工作制度》of the Bank, Independent Directors shall be invited to attend the meetings of the Audit Committee of the Board for consideration of issues related to annual report. LIU Jipeng, LI Hancheng and XIE Zhichun attended two meetings of the Audit Committee as non-voting delegates;

5. In order to give full play to the responsibility of Independent Directors to provide independent and impartial opinions on related party transactions, Independent Directors XIE Zhichun and PENG Xuefeng were invited to attend two meetings of the Related Party Transactions Supervision Committee as non-voting delegates;

6. The Directors only attended but refrained from voting at the meetings prior to CBIRC's approval on their qualifications.

(I) Strategic Development and Consumer Rights Protection Committee of the Board

1. Main duties

Studying and reviewing long-term development strategies and mid- to long-term development outlines of the Group and the Bank, supervising and evaluating the implementation of the strategies and providing strategic adjustment proposals; studying and reviewing the development and strategic planning and basic management system of the inclusive finance business of the Bank, reviewing the annual business plan, assessment and evaluation methods of inclusive finance and supervising the implementation; studying and reviewing consumer rights protection strategies, policies and goals of the Bank, regularly receive briefings on the consumer rights protection work report of the Bank and monitoring the consumer rights protection work and related information disclosure of the Bank; reviewing the performance of social responsibilities in respect of the economy, environmental protection and public welfare; studying and reviewing major events related to data governance; studying and formulating relevant systems for external investments, proposing suggestions and plans for material investment decisions of the Bank, and supervising the implementation; managing the consolidated financial statements of the Group, including the Bank and its subsidiaries; studying and formulating relevant systems for external merger and acquisition, studying strategies for external merger and acquisition and proposing implementation plans; studying and planning the group-oriented operation and development model, etc.

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2. Meetings convened in 2021

During the Reporting Period, the Strategic Development and Consumer Rights Protection Committee of the Board convened a total of 10 meetings, considered 35 proposals, and received briefings on 16 reports. While considering or reviewing the proposals, in light of its responsibilities, the Committee came up with important opinions and suggestions, including: establishing and improving the strategic management system, and promoting the implementation of the objectives set out in the five-year plan and the digital transformation; enhancing the quality and efficiency of operation and management of subsidiaries; staying updated on the bank-wide works on inclusive finance, consumer rights protection, data governance, and social responsibilities; deepening the capital-saving awareness, optimising the adjustment of asset structure, actively guiding capital management to return to basic business and supporting the development of key regions and strategic businesses. Details on these meetings are as follows:

Date of meeting	Main contents
20 February 2021	Considering 2 proposals regarding department settings of the Head Office and the 2021 development plan for domestic institutions; circulating work summaries and plans on small business finance & inclusive finance and consumer rights protection, as well as work summary and plan of the Committee
30 March 2021	Considering 10 proposals regarding financial final account, business operation plan, profit distribution, capital management, CSR, ESG and others, and circulating and studying the relevant circulars issued by the PBOC and the CBIRC regarding financial consumer rights protection
17 April 2021	Considering the proposal on capital adequacy ratio, and circulating the work report on consolidated statements management of the Group and the work report on data governance
28 June 2021	Considering 4 proposals regarding digital finance transformation, purchasing of office buildings by branches, consumer rights protection plans, and reviewing the special audit report on consumer rights protection
4 August 2021	Considering 4 proposals regarding the five-year development plan, capital increase in CMBC International Holdings Limited, redemption and interest payment of offshore preference shares, and circulating and studying the documents and circulars issued by the PBOC and the CBIRC regarding financial consumer rights protection
24 August 2021	Considering 5 proposals regarding capital management, dividend distribution of preference shares, purchasing of office buildings by branches and others, and reviewing work reports on consumer rights protection, data governance, and small business finance & inclusive finance
22 September 2021	Considering the proposal on department setting of the Head Office, and circulating and studying the circulars issued by the PBOC and the CBIRC regarding the evaluation on financial consumer rights protection
20 October 2021	Considering 4 proposals regarding the five-year plan for consumer rights protection, IT outsourcing strategy, and revisions to relevant working systems and others
22 November 2021	Considering 2 proposals regarding the five-year plan for green finance and the revisions to relevant working systems, and circulating the operating status report
28 December 2021	Considering 2 proposals regarding the five-year plan for inclusive finance and purchasing of office buildings by branches, and circulating and studying the circular issued by the CBIRC regarding banking consumer complaints

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3. Duty performance

During the Reporting Period, under the coordinated leadership of the Board, the Strategic Development and Consumer Rights Protection Committee proactively performed its responsibilities in strategy management, capital management, investment management, consolidated statements management, consumer rights protection, inclusive finance, social responsibilities and data governance, etc. Firstly, the Committee formulated the five-year development plan for the Bank as well as supporting strategies on inclusive finance, green finance, consumer rights protection, IT outsourcing and others, in an effort to improve its strategy system. In the meantime, the Committee actively performed its responsibilities in inclusive finance, consumer rights protection, and social responsibilities, and supervised the Management to implement significant policies of the state and the regulatory authorities. Secondly, the Committee improved the mechanisms for strategy implementation and evaluation, kept a close eye on the implementation of strategies, and optimised the strategy management system. Thirdly, the Committee formulated the annual capital strategy and annual profit distribution plan, actively pushed ahead with the capital replenishment plan and capital monitoring, conducted capital evaluation, considered the annual report on capital adequacy ratio, and continued to strengthen capital management. Fourthly, in the framework of implementing regulatory policies, the Committee, in light of the development realities of the Bank, prudently carried out external investment management such as capital investment in subsidiaries, pressed ahead with fixed-asset investment, and enhanced the construction of investment management mechanisms. Fifthly, the Committee constantly deepened the management of subsidiaries by intensifying their corporate governance. Sixthly, the Committee optimised the management system of consolidated statements of the Group, intensified audit and assessment on consolidated statements, and improved the consolidated statements management process. Seventhly, the Committee improved the organisational structure and the management mechanisms for fintech and data governance of the Bank, regularly received briefings on the work reports on data governance, and consistently strengthened the compliance management regarding data governance. Eighthly, in accordance with the latest regulatory provisions, the Committee revised working systems and explored methods and paths to enhance duty performance, in a bid to perform its governance duties in a more sufficient, scientific, and standardised manner.

(II) Nomination Committee

1. Main duties

Analysing and evaluating the structure, composition and diversity of members of the Board of Directors (including but not limited to the gender, age, cultural and educational background, professional experience, skills, knowledge and term of office) on a yearly basis and making suggestions to the Board of Directors for implementation of the strategies of the Bank; studying and formulating procedures and standards of selection and appointment of Directors and Senior Management and making suggestions to the Board of Directors. When identifying appropriate candidates for Directors, the value of the relevant candidates shall be reviewed, while objective conditions should be fully examined for the benefit of the diversity of members of the Board of Directors; identifying qualified candidates for Directors and Senior Management of the Head Office of the Bank; identifying and selecting outstanding candidates for operation management widely and making suggestions to Senior Management of the Head Office of the Bank on candidates for senior executives of departments of the Head Office and branches and senior technical experts; conducting preliminary examination on the qualification of candidates for Directors and Senior Management of the Head Office and making suggestions to the Board of Directors; examining the qualification of candidates for

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Independent Non-Executive Directors in terms of independence, professional knowledge, experience and capability; examining the independence and performance of duties of Independent Non-Executive Directors on a regular basis; conducting preliminary examination on the qualification of candidates for chief specialists of the Bank, presidents of branches, presidents of SBUs, persons in charge of finance and chairman of the board of directors, chairman of the board of supervisors and general managers proposed for subsidiaries before appointments; formulating work procedures for adding alternative Directors and Senior Management of the Head Office under special circumstances, and nominating candidates to fill the vacancies as appropriate; guiding and supervising the establishment of a comprehensive data pool for development and management of talent of the Bank; considering the time Directors spent to perform their duties on a regular basis; considering the Policy of Board Diversity for the composition of the Board of Directors, the measurable targets set up for executing the diversification policy and the fulfillment of such targets as appropriate, and disclosing review results annually in the "Corporate Governance Report"; performing duties specified by the laws, regulations and the listing rules of the places where the Bank is listed; and fulfilling other functions and duties of the Committee authorised by the Board of Directors. For the summary of the policy of Board diversity, please refer to the section headed "VII. Board of Directors – (I) Composition of the Board of Directors" of this chapter.

2. Meetings convened in 2021

During the Reporting Period, the Nomination Committee of the Board convened a total of 6 meetings and considered 11 proposals. The Committee considered various proposals and issued voting opinions and had no further supplementary opinions or important suggestions. Details on these meetings are as follows:

Date of meeting	Main contents
8 March 2021	Considering 2 proposals regarding the work reports of Independent Directors, the duty performance report and the work plan of the Committee
24 March 2021	Considering 2 proposals regarding the appointments of senior management of subsidiaries and others
15 June 2021	Considering 2 proposals regarding the appointments of branch presidents and others
9 August 2021	Considering 2 proposals regarding the appointment of general manager of the Finance and Accounting Department and branch presidents
8 November 2021	Considering 2 proposals regarding the appointment of branch presidents and senior management of the subsidiaries
30 November 2021	Considering the proposal on the appointment of Chief Information Officer

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3. Nomination procedures and handling process adopted by the Nomination Committee

(1) Procedure for nominating candidates for Directors

The Articles of Association stipulates the procedures and methods for nominating candidates for Directors. For details, please refer to the relevant contents in Article 152 and Article 165 of the Articles of Association considered and approved at the 2020 Annual General Meeting.

(2) Criteria and standards for selecting and recommending candidates for Directors

A Director shall possess expertise and work experience required to perform duties and shall meet the conditions as stipulated by the banking regulatory authorities. The qualifications of a Director shall be reviewed by the banking regulatory authorities.

An Independent Non-Executive Director shall possess the following basic conditions:

1) Qualified to serve as a director of a listed commercial bank in accordance with the laws, administrative regulations, and other relevant provisions;

2) Obtains a bachelor's degree or above or intermediate title or above in relevant specialties;

3) Fulfills the independence requirements as set out in the Articles of Association;

4) Possesses basic knowledge on the operation of listed commercial banks and is familiar with relevant laws, administrative regulations, rules and provisions;

5) Qualified to read, understand and analyse credit statistics and financial statements of commercial banks;

6) Has more than five years of work experience in law, economy, commercial banks, or other fields as required to perform duties as an Independent Non-Executive Director;

7) Meets the requirements for serving as an Independent Non-Executive Director as stipulated by domestic and overseas regulators and relevant listing rules, as well as meets other conditions as required by the Articles of Association to serve as a director.

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An Independent Non-Executive Director must be independent. In addition to the person who shall not serve as a Director of the Bank, the following person shall not serve as an Independent Non-Executive Director:

1) The person and his or her near relatives directly or indirectly, solely or on a consolidated basis, hold(s) more than 1% of the issued shares of the Bank;

2) The person or his or her near relatives work(s) in the unit of a shareholder who directly or indirectly holds more than 1% of the issued shares of the Bank;

3) The person or his or her near relatives and major social relations work(s) in the Bank, an institution of which the Bank is a controlling shareholder, or which is actually controlled by the Bank;

4) The person or his or her near relatives work(s) in an institution that is unable to repay the loans of the Bank as scheduled;

5) Person who provide the Bank or its subsidiaries with financial, legal, consulting, and other services, or the institution where the person or his or her near relatives work(s) has business connections with the Bank regarding law, accounting, audit, management consultancy, guarantee cooperation and others to such an extent to preclude the person from independently performing duties;

6) The person or his or her near relatives who might be controlled or significantly influenced by the Bank, major shareholders and the Management of the Bank, to such an extent to preclude the person from independently performing duties;

7) The natural person shareholders among top ten shareholders of the Bank and their near relatives, or the person who work in the units of top five shareholders of the Bank and their near relatives;

8) Other person as specified by the banking regulatory authorities and the securities regulatory authority of the State Council;

9) Other person as specified by laws, regulations, normative documents, as well as the Articles of Association.

Near relatives refer to a person's spouse, parents, children, siblings, grandparents, maternal grandparents, grandchildren, and maternal grandchildren. Major social relations refer to a person's siblings, parents-in-law, daughters-in-law and sons-in-law, the spouses of siblings, and the siblings of a person's spouse, among others.

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4. Duty performance

During the Reporting Period, in accordance with the Terms of Reference and Implementation of the Nomination Committee of the Board《董事會提名委員會工作實施細則》and the Working Plan of the Nomination Committee of the Board《董事會提名委員會工作計劃》formulated at the beginning of the year, the Nomination Committee undertook the following works in respect of reviewing the independence of the annual work and duty performance of Independent Non-Executive Directors and reviewing the appointment requirements and qualifications of Senior Management:

(1) Reviewing independence of annual works of Independent Non-Executive Directors

In accordance with the requirements of the Guidelines of Shanghai Stock Exchange for the Application of Self-Regulation Rules for Listed Companies No. 2 -Business Handling《上海證券交易所上市公司自律監管指南第2號--業務辦理》and in light of the annual work performance of six Independent Non-Executive Directors of the Company, the Nomination Committee reviewed the 2020 Annual Work Report of Independent Non-Executive Directors《獨立非執行董事2020年度述職報告》in terms of their annual duty performance, preparation of annual report and key issues, and reported to all shareholders at the Annual General Meeting. The Nomination Committee holds that during the Reporting Period, the six Independent Non-Executive Directors of the Company exercised various powers in accordance with laws and regulations, performed the duties as an Independent Director with due diligence, conscientiously supervised the compliance of business development and significant matters of the Company, effectively facilitated the improvement of corporate governance, and effectively protected the overall interests of the Bank and its shareholders, particularly the legitimate rights and interests of minority shareholders.

(2) Reviewing appointment requirements and qualifications of Senior Management

In accordance with its duties, the Nomination Committee extensively looked for and selected the candidates for Chief Information Officer that meet the real demand of the Bank, and carefully reviewed the requirements and qualifications of ZHANG Bin before submitting it to the Board for appointment.

(3) Approving the qualifications of the head of the Finance and Accounting Department of the Head Office, branch presidents, and senior management of subsidiaries

The Nomination Committee continued to perform its duties in the selection and appointment of management personnel and improved the normalisation, transparency and rationality of the nomination approval procedure. During the year 2021, the Nomination Committee approved the qualifications of 10 persons in total including the head of the Finance and Accounting Department of the Head Office, branch presidents, as well as chairmen of the board, chairmen of the board of supervisors, and general managers accredited to subsidiaries.

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(III) Compensation and Remuneration Committee

The Compensation and Remuneration Committee of the eighth session of the Board has a total of nine members, more than 50% of whom are Independent Non-Executive Directors. There are no Senior Management among the members. The Chairman of the Committee is LIU Jipeng, an Independent Non-Executive Director; members include GAO Yingxin, WU Di, WENG Zhenjie, YANG Xiaoling, LI Hancheng, XIE Zhichun, PENG Xuefeng, and LIU Ningyu.

1. Main duties

Studying and formulating remuneration policies, remuneration systems and proposals of the Directors and Senior Management of the Head Office for the establishment of formal and transparent procedures for making remuneration policies, making recommendations to the Board of Directors and supervising the implementation of remuneration policies, remuneration systems and proposals; studying and formulating performance evaluation standards and proposals of the Directors and Senior Management of the Head Office; studying and formulating performance evaluation system of the Directors and Senior Management of the Head Office, making recommendations to the Board of Directors and carrying out regular evaluations; considering and determining the classes of positions and remuneration of Senior Management of the Head Office; studying and formulating the proposal of share option incentive scheme of the Bank and its subsidiaries and its implementation method; reviewing the material remuneration system of the Bank, making recommendations on improvement and supervising its implementation; studying and formulating the resignation policy of the Directors and Senior Management of the Head Office; determining the remuneration and incentive and restraint proposals for Directors and Senior Management of the Head Office, including their benefits-in-kind, pension and compensations (including compensation for loss of office or appointment or removal from office or appointment which is not due to misconduct or termination of office or appointment) and making recommendations to the Board of Directors; reviewing and approving compensation payment to the Directors and Senior Management for their loss or termination of office or appointment or their removal or dismissal due to misconduct, which shall be determined based on the relevant contracts or, in the absence of the relevant contracts, fair and reasonable; performing duties stipulated by the laws, regulations and listing rules of places where the Company is listed; and dealing with other matters conferred by the Board of Directors.

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2. Meetings convened in 2021

During the Reporting Period, the Compensation and Remuneration Committee of the Board convened a total of 4 meetings, considered 11 proposals, and received briefings on 4 reports. The Committee considered various proposals and issued voting opinions and had no further supplementary opinions or important suggestions. Details on these meetings are as follows:

Date of meeting	Main contents
11 January 2021	Reviewing and determining remuneration brackets for different ranks of Senior Management
8 March 2021	Considering 2 proposals regarding the 2020 remuneration report of Directors and the 2020 duty performance report and the 2021 work plan of the Committee, and receiving briefings on the annual duty performance of Directors
28 July 2021	Considering 4 proposals regarding the 2020 remuneration report, the performance evaluation report, the employee benefits system and benefits optimisation plan and others, and receiving briefings on reports on performance evaluation of Senior Management and on ideas for the remuneration system reform, and the 2020 assessment results of major heads of subsidiaries, among others
22 December 2021	Considering 4 proposals regarding the report on performance-based remuneration recourse and recovery and the management measures, the determination of remuneration brackets for different ranks of Senior Management, among others

3. Duty performance

During the Reporting Period, in accordance with various requirements of the Terms of Reference of the Compensation and Remuneration Committee of the Board《董事會薪酬與考核委員會工作細則》, the Compensation and Remuneration Committee proactively conducted various work with a focus on constantly improving the constraint and incentive mechanisms, in a bid to fully perform its duties. During the year 2021, the Committee undertook the following work:

(1) Establishing and improving work mechanisms for performance-based remuneration recourse and recovery

In accordance with the Guiding Opinions on Establishing and Improving Performance-Based Remuneration Recourse and Recovery Mechanisms by Banking and Insurance Institutions《關於建立完善銀行保險機構績效薪酬追索扣回機制的指導意見》promulgated by the CBIRC, commercial banks are required to consistently improve the incentive and constraint mechanisms for performance-based remuneration and to implement performance-based remuneration recourse and recovery for risk accountability personnel. The Compensation and Remuneration Committee organised to formulate the Administrative Measures on Recourse and Recovery of Performance-Based Remuneration of China Minsheng Bank (Trial)《中國民生銀行績效薪酬追索扣回管理辦法(試行)》and the 2021 Report on Recourse and Recovery of Performance-Based Remuneration《2021年度全行績效薪酬追索扣回情況報告》, which were submitted to then considered and approved by the Board, in a bid to promote the implementation of performance-based remuneration recourse and recovery of the Bank in an all-around and orderly manner.

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(2) Objectively evaluating duty performance of Directors for the year

During the Reporting Period, to further standardise and enhance the diligent performance of duties of Directors, the Compensation and Remuneration Committee of the Board objectively evaluated the duty performance of all Directors in 2020 across multiple dimensions including attendance of meetings, completion of training, involvement in decision-making, based on measurable key performance indicators.

(3) Appraising duty performance of Senior Management for the year

The Compensation and Remuneration Committee of the Board studied and designed performance evaluation standards and plans of the Senior Management for 2020 according to the authorisation of the Board and related rules, and organised and implemented the appraisal work on duty performance of the Senior Management for 2020. These initiatives ensured a thorough understanding of the Board and the Compensation and Remuneration Committee in respect of the performance of the Senior Management and effectively guided them to further improve their performance. In addition, the Committee received briefings on reports on the appraisal results of major heads of subsidiaries for 2020.

(4) Reviewing remunerations of Directors and Senior Management

In accordance with the provisions of the Rules for Remuneration of Directors and Supervisors《董事、監事薪酬制度》and in light of duty performance of Directors during the Reporting Period, the Compensation and Remuneration Committee formulated the 2020 annual remuneration report of Directors, and submitted it successively to the Board and the Shareholders' General Meeting for consideration. In accordance with the provisions of the Administrative Rules for Remuneration of Senior Management of China Minsheng Bank《中國民生銀行高級管理人員薪酬管理制度》and the Administrative Measures on Venture Fund for Senior Management of China Minsheng Bank《中國民生銀行高級管理人員風險基金管理辦法》, and in light of the completion status of KPIs in 2020 as well as the individual appraisal result of the Senior Management, the Committee considered the 2020 report on remuneration of the Senior Management, and disclosed it as a supplementary information. In addition, the Committee considered remuneration-related proposals including remuneration brackets for different ranks of the Senior Management and ownership of venture funds, and specially received the briefings on reports on performance evaluation of Senior Management and on ideas for the remuneration system reform.

(5) Optimising welfare policy and system of the Bank

To constantly standardise and improve the welfare policy and system and further highlight the welfare security function, the Compensation and Remuneration Committee considered and approved the Optimisation Scheme on Employee Welfare Policy and Welfare System《員工福利制度及福利體系優化方案》, the Administrative Measures on Employee Welfare Benefits of China Minsheng Bank (Trial)《中國民生銀行職工福利費管理辦法(試行)》, and the Administrative Measures on Complementary Medical Security of China Minsheng Bank (Trial)《中國民生銀行補充醫療保障管理辦法(試行)》, providing an important basis for building sound policy management, optimising management models, and standardising implementation.

(IV) Risk Management Committee

1. Main duties

Conducting research on national macro-economic and financial policies, analysing market change, formulating the risk preference, risk strategies, risk constraint indicator system and others of the Company, and assisting the Board in reviewing and approving the policies and procedures for material risk management; assisting the Board in performing its risk management duties in respect of credit risk, market risk, liquidity risk, operational risk, country risk, interest rate risk of the banking books, reputation risk, strategic risk, information technology risk, compliance risk and money laundering risk according to various requirements issued and amended by the regulatory authorities; studying the development strategies and risk management system of the Company, putting forward recommendations for decision-making on improving risk management in terms of organisational structure, control procedures, risk treatment and others, and considering matters in relation to writing off large amount bad loans subject to approval by the Board; assisting the Board in considering comprehensive risk management report and other risk information reports, and supervising the Management to take necessary identification, measurement, monitoring, and control measures to address operational risks and urging it to continuously improve its risk management and control capability; organising risk assessment of significant operational matters, studying and formulating risk prevention schemes, etc.

2. Meetings convened in 2021

During the Reporting Period, the Risk Management Committee of the Board convened a total of 14 meetings, considered 66 proposals, and received briefings on 38 reports. In considering or reviewing proposals, the Committee put forward multiple important opinions and suggestions based on its own duties in respect of improvement of comprehensive risk management capability, risk preference transmission and policy research, optimisation of risk management rules and systems, digital transformation and establishment of intelligent risk control system, collection and disposal strategies for projects regarding writing off bad loans. Details on these meetings are as follows:

Date of meeting	Main contents
17 January 2021	Considering 5 proposals regarding the 2021 market risk limit plan of the Group and the revisions to the Emergency Response Plan《突發事件應急預案》and others
20 February 2021	Considering 4 proposals regarding the 2021 guiding opinions of the Board on risk management, the 2021 risk strategy and others, and circulating 4 reports including the 2020 anti-money laundering report and others
15 March 2021	Considering 2 proposals regarding the 2020 report on liquidity risk management & 2021 liquidity risk preference and management strategy and others, and circulating 6 reports including the 2020 report on IT risk management and others
17 April 2021	Considering 3 proposals regarding the market risk management system, the 2020 report on comprehensive risk management and others
17 May 2021	Considering 7 proposals regarding the measures on money laundering and terrorist financing risk management, the 2021 compliance risk management plan and others, and circulating 4 reports including the 2020 stress testing report and others

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Date of meeting	Main contents
3 June 2021	Considering 2 proposals regarding the 2020 comprehensive risk assessment report of the Board, and revisions to the Measures on Market Risk Limit Management《市場風險限額管理辦法》, and reviewing 8 reports including the report on reform on institution and mechanism of credit assessment and others
17 June 2021	Considering the proposals on writing off bad loans in 2021 H1, and circulating the Q1 report on the implementation of 2021 Risk Strategy《2021年度風險策略》
20 July 2021	Considering 5 proposals regarding the 2021 green finance credit policies and goals, the 2021 Q1 report on comprehensive risk management and others, and circulating 2 reports including the report on credit investigation management and others
12 August 2021	Considering 2 proposals regarding the administrative measures on accounting valuation of fair value of financial instruments and the 2021 H1 report on banking book interest rate risk, and reviewing 2 reports including the 2021 H1 report on liquidity risk management
17 September 2021	Considering the proposals on writing off bad loans in 2021 Q3, and reviewing the 2021 Q2 report on writing off bad loans
15 November 2021	Considering the proposal on the 2021 Q2 report on comprehensive risk management, and circulating 7 reports including the Q2 Implementation Report on the 2021 Annual Risk Strategy《2021年度風險策略》
14 December 2021	Considering 7 proposals regarding revisions to the Measures on Comprehensive Risk Management《全面風險管理辦法》and revisions to Measures on Risk Preference Management《風險偏好管理辦法》
17 December 2021	Considering the proposals on writing off bad loans in 2021 Q4, and reviewing the 2021 Q3 report on writing off bad loans
24 December 2021	Circulating 2 proposals regarding the report on Q3 implementation progress of 2021 Risk Strategy and others

3. Duty performance

During the Reporting Period, the Risk Management Committee focused on key areas such as formulation and implementation of risk management strategies, optimisation of institutional system, reform on credit approval system, asset quality management and collection and disposal, and legal compliance management. By receiving briefings on reports, considering proposals, organising risk assessment, conducting investigations and assessments on front-line units, among other means, the Committee implemented the duty performance requirements set out in the external regulatory provisions and internal Articles of Association, guided, supported, and supervised the Management to deepen reforms, and facilitated the implementation of comprehensive risk management across the Bank.

Firstly, the Risk Management Committee kept improving the risk strategy system, fully carried out the national macro-control policies and the strategic orientation of the Company, and regularly received briefings on reports on implementation status and put forward supervisory and management opinions. Secondly, the Committee supervised the Management to remove, revise, and add risk management policies in a timely manner in accordance with the latest internal and external requirements, enhanced the completeness, effectiveness, operating ability, and compliance of the policies, improved the risk rules and systems, and

completed the reviews of key policies such as the Measures on Comprehensive Risk Management of China Minsheng Bank《中國民生銀行全面風險管理辦法》. Thirdly, the Committee supported the Management in reforming the credit approval system, thus achieving such objectives as unleashing productivity, streamlining processes, improving efficiency, and controlling material risks by assembling a team of full-time credit officers, establishing the system of the main accountable person for operation, among other means. Fourthly, the Committee guided and supervised the Management to enhance whole-process credit risk management and control capabilities, effectively conduct pre-loan investigation, improve in-loan review, and refine post-loan management. The Committee considered and approved 28 proposals regarding bad loan write-offs and put more strength on collection and disposal and properly managed the assets after write-offs by following the principle of "keeping the records although the accounts have been written off, and pursuing recovery when the rights are still valid". Fifthly, the Committee deployed a special event to strengthen employee behaviour management in "the year of internal control and compliance management" across the Group, in an effort to enhance the core competitiveness of compliant operations; it also reinforced the management basis for case prevention and control, and proactively prevented and effectively handled cases and case risks. Sixthly, the Committee accelerated the implementation of various key projects under the Basel III Accord, in order to get ready for the implementation of the new regulatory capital rules on 1 January 2023; it comprehensively promoted the establishment of an intelligent risk control system and accelerated the digital transformation. Seventhly, the Committee appointed third-party consultants to assess the risk management work and risk profile of the Bank, effectively enhancing the comprehensiveness and independence of risk assessment by the Board.

(V) Audit Committee

The Audit Committee of the Board has three Independent Non-Executive Directors and two Non-Executive Directors. All the three Independent Non-Executive Directors are experts in finance and management. The two Non-Executive Directors are the key persons in charge of renowned companies in China and have extensive experience in management and sufficient professional knowledge in finance and accounting. The Audit Committee is well-structured, with sufficient specialty and independence, which ensures the Audit Committee to perform its supervisory duty effectively.

1. Main duties

Making recommendations on the appointment or replacement of external auditor and reviewing the remuneration and terms of engagement of external auditor; reviewing and monitoring the independence and objectivity of external auditor and the effectiveness of the audit process; reviewing the financial and accounting policies and practices; examining annual financial budgets and accounting reports of the Company; considering quarterly, interim and annual financial reports to be disclosed by the Company and making recommendations on the truthfulness, completeness and accuracy of the information disclosed in such financial reports; coordinating the internal and external auditing; considering internal auditing rules, mid- to long-term auditing plans and annual working plan for internal auditing; providing guidance for internal auditing; supervising the implementation of the internal audit system to ensure sufficient resources are provided to and appropriate standing for the internal auditing function; evaluating the performance of the internal auditing department and key officers; supervising the management to rectify problems identified during the internal audit, reviewing proposals for the management and proposals for the auditing on material matters provided to the management by the external auditing firm, and assisting the management to provide corresponding responses; supervising the establishment of the internal control system of the Company and

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organising the self-evaluation of the internal control of the Bank; ensuring the management has performed its duties to establish an effective internal control system; reviewing arrangements by which employees of the Bank may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters; monitoring the relationships between the Company and the external auditors in its capacity as a major representative; performing duties stipulated by the laws, regulations and listing rules of places where the Company is listed; and dealing with other matters conferred by the Board of Directors or related to the duties of the committee.

2. Meetings convened in 2021

During the Reporting Period, the Audit Committee of the Board convened a total of 7 meetings, considered 17 proposals, and received briefings on 14 reports. The Committee considered various proposals and issued voting opinions and had no further supplementary opinions or important suggestions. Details on these meetings are as follows:

Date of meeting	Main contents
13 January 2021	Considering 4 proposals regarding the 2020 integrated audit plan, 2020 internal control evaluation plan, 2020 work report on internal audit, and 2021 internal audit work plan, and receiving briefings on the 2020 special audit report on market risk and capital management of the Bank
26 March 2021	Considering 7 proposals regarding the 2020 annual report, 2020 financial final account report, 2021 financial budget plan, evaluation on audit works of the audit and accounting firms in 2020 and continued appointments of the audit and accounting firms and their remunerations in 2021, 2020 evaluation report on internal control, 2020 capital composition information and leverage ratio, 2020 duty performance report and 2021 work plan of the Committee, and receiving briefings on the 2020 special audit report on related party transactions management
19 April 2021	Considering 2 proposals regarding the 2021 Q1 Report and disclosure of the global systematic importance assessment indicators, and receiving briefings on the 2021 Q1 internal audit work report
14 July 2021	Circulating 4 reports including the special audit report on liquidity risk management of the Bank, 2020 special audit report on performance management of business units, 2020 audit report on business continuity management, 2020 comprehensive audit report on IT risk
18 August2021	Considering 2 proposals regarding the 2021 interim report and the disclosure of 2021 H1 capital composition information and leverage ratio, and receiving briefings on the 2021 H1 internal audit work report and special audit report on wealth management and entrusted investment business
22 October 2021	Considering 2 proposals regarding the 2021 Q3 report and Q3 internal audit work report
30 November 2021	Considering the proposal on the recommendation letter for 2020 internal control management, and receiving briefings on reports including the 2021 special audit report on consolidated statements management of the Group, special audit report on credit risk measurement and application of the Bank, 2021 audit report on IT outsourcing risk management, and 2020 report on rectifications according to the recommendation letter for internal control management

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3. Duty performance

During the Reporting Period, the Audit Committee performed its responsibilities and duties diligently by strengthening its supervision on financial report audit, improving internal control, and increasing the quality and efficiency in internal audit, among other fields.

(1) Reviewing financial reports of the Company and timely disclosing financial information

During the Reporting Period, in accordance with the regulatory requirements for disclosure of annual financial reports as well as the consideration and disclosure plan of the Audit Committee of the Board, the Audit Committee organised the preparation of and external audit on the 2020 annual financial reports, with a focus on financial and accounting policies and practices, and completed consideration of the annual reports. In addition, the Committee completed consideration of the 2020 Annual Financial Final Account, 2021 Annual Financial Budget, 2021 Interim Financial Report, 2021 Q1 Report and Q3 Report, effectively ensuring the authenticity, accuracy, and integrity of the financial reports of the Bank.

(2) Supervising internal audit and improving audit efficiency

The Audit Committee received briefings on the annual internal audit work report and the internal audit work plan for the next year, and put forward opinions and suggestions regarding internal audit, and strengthened the pertinence and effectiveness of internal audit. The Committee reviewed internal control evaluation plan and the internal control evaluation report, guided the Management to take timely measures to effectively rectify internal control deficiencies and promote the continuous improvement of internal control mechanism. In addition, the Committee received briefings on the special audit reports on wealth management business, related party transactions, among others, supervised the internal audit departments to play the roles in supervisory, inspection, and evaluation. It strengthened application of audit results, and implemented normalised supervision on rectifications of issues identified.

(3) Strengthening communication and exchanges with external auditors to enhance supervision by external audit

The Committee organised and completed evaluation on the work of external auditors and provided opinions on re-appointment; reviewed external audit expenses; reviewed external audit plans; examined the independence and objectivity of external audit as well as effectiveness of audit procedures, further clarified work requirements for external auditors, and coordinated the Management to respond to external audit suggestions.

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4. Reviewing regular financial reports

The main duties of the Audit Committee are reviewing and inspecting the financial reporting procedures and internal monitoring system of the Bank, and issuing opinions to the Board. The Audit Committee of the Bank has reviewed and confirmed the 2021 Annual Report and the 2021 annual results announcement for the year ended 31 December 2021.

(VI) Related Party Transactions Supervision Committee

1. Main duties

Managing related party transactions and formulating corresponding management system for related party transactions, which shall be implemented upon approval by the Shareholders' General Meeting or the Board of Directors, in accordance with laws, administrative regulations, regulatory requirements of relevant regulatory authorities and stock exchanges, national uniform accounting system and international accounting standards, and the Articles of Association; reviewing and identifying related parties, reporting to the Board of Directors and the Board of Supervisors, and promptly announcing to the Management in accordance with laws, administrative regulations, regulatory requirements of relevant regulatory authorities and stock exchanges, national uniform accounting system and international accounting standards, and the Articles of Association; defining the types of related party transactions and determining corresponding approval procedures and standards in accordance with laws, administrative regulations, regulatory requirements of relevant regulatory authorities and stock exchanges, national uniform accounting system and international accounting standards, and the Articles of Association; reviewing and approving related party transactions which shall be approved by the committee in accordance with the review procedures and standards; reviewing and approving related party transactions which shall be approved by the Board of Directors or the Shareholders' General Meeting in accordance with the review and approval procedures and standards; examining the information disclosure of related party transactions; and performing other duties required by laws and administrative regulations of the places where the Company is listed, regulatory requirements of relevant regulatory authorities and stock exchanges, national uniform accounting system and international accounting standards, and the Articles of Association.

2. Meetings convened in 2021

During the Reporting Period, the Related Party Transactions Supervision Committee convened a total of eight meetings, considered 24 proposals, and received briefings on two reports. The Committee considered various proposals and issued opinions by vote. There were no supplementary opinions and important recommendations. Details on these meetings are as follows:

Date of meeting	Main contents
15 March 2021	Considering 4 proposals regarding the 2020 report on related party transactions, 2020 duty performance report and 2021 work plan of the Committee, the standard for designating "people who have the power to decide or participate in the Bank's credit granting and asset transfer" and others

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Date of meeting	Main contents
19 April 2021	Considering 7 proposals regarding the 2021 budget for non-credit internal transactions with Minsheng Financial Leasing, 2021 budget for non-credit internal transactions with Minsheng Royal Fund, 2021 budget for non-credit related party transactions with Minsheng Real Estate and its subsidiaries it controlled or held shares with and others, and receiving briefings on the 2020 report on implementation of internal transactions of the Group
21 June 2021	Considering 2 proposals regarding the 2021 unified group credit to Orient Group Co., Ltd., and the 2021 list of related parties
20 July 2021	Considering 2 proposals regarding the 2021 unified group credit to Good First Group Co., Ltd. and others
22 September 2021	Considering 3 proposals regarding the unified group credit to Tsinghua Tongfang Guoxin Investment Holding Co., Ltd. and others, and receiving briefings on the 2021 H1 report on implementation of internal transactions of the Group
25 October 2021	Considering the proposal on adjustment to the 2021 budget for non-credit internal transactions with CMBC International Holdings Limited
16 November 2021	Considering 2 proposals regarding the unified group credit to Giant Investment Co., Ltd., and the unified group credit to China Oceanwide Holdings Group Co., Ltd.
15 December 2021	Considering 3 proposals regarding the unified group credit to Dajia Insurance Group Co., Ltd. and a single business under it and others

3. Duty performance

During the Reporting Period, under the guidance of the Board, the Related Party Transactions Supervision Committee performed its duties diligently in terms of approval, management and control of related party transactions, information disclosure of related party transactions, system construction and procedure improvement of related party transactions, among others. In 2021, the Committee undertook the following work:

(1) Confirmation and publication of the list of related parties

The Committee considered and approved the Standard of China Minsheng Bank for Designating "People Who Have the Power to Decide or Participate in the Bank's Credit Granting and Asset Transfer" 《中國民生銀行"有權決定或者參與授信和資產轉移人員"認定標準》, and published and implemented it after reporting to the Board. In accordance with the latest standards, the Committee organised to carry out the updating and reporting of information on related parties across the Bank in 2021, effectively replenished information on internal related parties and updated information on internal and external related parties. After special discussions, the Related Party Transactions Supervision Committee resolved to establish a mechanism to dynamically manage the list of related parties and update the list on a timely basis, reviewed and confirmed related parties, then reported to the Board of Directors and the Board of Supervisors. This has substantially improved the accuracy and completeness of the list of related parties of the Bank and laid a solid groundwork for management of related party transactions.

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(2) Review, approval, and disclosure of related party transactions

The Committee completed the reviews of multiple related party transactions, and the filing, approval and disclosure of credit extension to related parties as well as non-credit related party transactions. The Committee approved related party transactions that shall be approved by it in accordance with the approval procedures and standards. The Committee reviewed the related party transactions that shall be approved by the Board of Directors or the Shareholders' General Meeting in accordance with the approval procedures and standards, and submitted such transactions to the Board for approval. In addition, the Committee set up the mechanism for attendance of Independent Directors as non-voting delegates, inviting other Independent Directors than members of the Committee to attend meetings of the Committee with major issues for consideration as non-voting delegates to actively listen to their valued opinions, thus better controlling the risk associated with related party transactions.

(3) Systematic improvement in management of related party transactions

The Committee actively propelled the Bank to improve systematic management of related party transactions, supervised the Management of the Bank to constantly iterate and update the management system of related party transactions, and reinforced refined management and online maintenance of the list of related parties of the Bank. Moreover, the Committee pushed various business systems of the Bank to construct and optimise functions related to related party transactions to intensify systematic management and control of such transactions.

(4) Management and guidance of internal transactions within the Group

The Committee effectively managed and guided internal transactions within the Bank, supervised the Bank to adhere to the rules of compliance, risk isolation and commerce, conducted unified management on internal transactions with the subsidiaries and adopted unified group credit extension for credit-based internal transactions. Non-credit internal transactions were managed with the model of "budget management and total amount control". The Related Party Transactions Supervision Committee approved budget reports on internal transactions with the subsidiaries in a timely manner; the Management strictly managed the use of transaction budget within the approved limits, thus managing internal transactions in a compliant and efficient manner.

IX. Board of Supervisors

(I) Composition of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors of the Bank had a total of nine members, including three Shareholder Supervisors, three External Supervisors, and three Employee Supervisors. The three Shareholder Supervisors had extensive management experience and sufficient knowledge in finance and accounting. The three External Supervisors were all experts in finance and management. The three Employee Supervisors had been engaged in policy analysis and banking operation and management for a long time, possessing extensive professional experience.

The Board of Supervisors is well-structured, with high degree of specialty and independent, which ensures that the Board of Supervisors brings its supervisory functions into full play.

The members of the Board of Supervisors are not related to each other (in terms of finance, business, family, or other material or relevant relations).

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(II) Resumes of current Supervisors

Mr. ZHANG Juntong, born in 1974, is now Chairman of the Board of Supervisors and an Employee Supervisor of the Bank. He is also Chairman of the Supervisory Committee and a member of the Nomination and Examination Committee of the Board of Supervisors. Mr. ZHANG joined the Bank in 2016. Before that, Mr. ZHANG served as director of the office of the general office and a deputy director-general of the general office of the former CBRC. He served previously as a deputy division director and a consultant of the general office of the CSRC. Mr. ZHANG also served in China National Technical Import and Export Corporation (中國技術進出口總公司) and China General Technology (Group) Holding Limited (中國通用技術(集團)控股有限責任公司). Mr. ZHANG obtained his Master's Degree in World Economy from Peking University.

Mr. YANG Yu, born in 1964, is currently a Vice Chairman of the Board of Supervisors and an Employee Supervisor of the Bank. He is also a member of the Supervisory Committee of the Board of Supervisors, and President of Beijing Branch of the Bank. Mr. YANG joined the Bank in 1996 and successively served as Division Director, a Deputy General Manager and then Deputy General Manager (in charge) of the Credit Management Department of the Head Office, a Deputy General Manager of the Beijing Administration Department, President of the Real Estate Finance SBU and General Manager of the Investment Banking Department of the Bank. From July 1989 to 1996, Mr. YANG successively served as a lecturer of the Beijing Institute of Fashion Technology and a manager of the business department of Huayin International Merchants Company of Industrial and Commercial Bank of China, and from February 2012 to September 2016, he served as president of Bairong Investment Holding Group Co., Ltd. (百榮投資控股集團有限公司). Mr. YANG obtained a Master's Degree in Economics, majoring in Business Management of Industrial Economics Department from Renmin University of China.

Mr. LU Zhongnan, born in 1955, is currently a Shareholder Supervisor of the Bank and is also a member of the Supervisory Committee and the Nomination and Examination Committee of the Board of Supervisors of the Bank. Mr. LU is currently an independent director of Yantai Bank Co., Ltd. Mr. LU was previously a division director of the PBOC Heilongjiang branch, a vice president of the PBOC Harbin branch, a vice president and then an executive vice president of the PBOC Heilongjiang branch, a vice president of the PBOC Shenyang Branch. He was previously also a director of Orient Group Incorporation (listed on the SSE (stock code: 600811)), a director of New China Life Insurance Co., Ltd. (listed on the SSE (stock code: 601336) and on the SEHK (stock code: 01336)), a vice chairman and president of China Minzu Securities Co., Ltd., chairman of Shenzhen New Industries Venture Capital Co., Ltd., a director, a vice chairman, and chairman of the executive committee of the board of directors of New China Trust Co., Ltd. and an independent director of Qilu Bank Co.,Ltd. (listed on the National Equities Exchange and Quotations (stock code: 832666)). Mr. LU graduated from the postgraduate course for advanced studies in economic management from Heilongjiang Provincial Academy of Social Sciences. He is currently a senior economist.

Mr. ZHAO Huan John, born in 1963, is now a Shareholder Supervisor of the Bank and a member of the Nomination and Examination Committee of the Board of Supervisors of the Bank. Mr. ZHAO is currently chairman of Hony Capital, a non-executive director of Legend Holdings Corporation (listed on the SEHK (stock code: 03396)), China Glass Holdings Limited (listed on the SEHK (stock code: 03300)), Lenovo Group Limited (listed on the SEHK (stock code: 00992)), Zoomlion Heavy Industry Science and Technology Co., Ltd. (listed on the SZSE (stock code: 000157) and on the SEHK (stock code: 01157)), and Shanghai Jin Jiang International Hotels Co., Ltd. (listed on the SSE (stock code: 600754)). He is also an executive director and chairman of

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Best Food Holding Company Limited (listed on the SEHK (stock code: 01488)), a non-executive director of ENN Natural Gas Co., Ltd. (formerly known as ENN Ecological Holdings Co., Ltd.) (listed on the SSE (stock code: 600803)), an executive director and chairman of the board of directors of Goldstream Investment Limited (listed on the SEHK (stock code: 01328)), a non-executive director of Simcere Pharmaceutical Group Limited (listed on the SEHK (stock code: 02096)) and a non-executive director of Eros STX Global Corporation (listed on the NYSE (stock code: ESGC)). Mr. ZHAO graduated from the School of Physics of Nanjing University. Afterwards, he obtained his dual Master's Degrees in Electronic Engineering and Physics from Northern Illinois University, and his MBA Degree from the Kellogg School of Management of Northwestern University.

Mr. LI Yu, born in 1974, is currently a Shareholder Supervisor of the Bank. He is also a member of the Supervisory Committee and the Nomination and Examination Committee of the Board of Supervisors. Mr. LI is a vice chairman of Shanghai Innovation Investment Limited (上海創新投資有限公司) and CEO of Ranger-Duree Healthcare Management Group Co., Ltd. Mr. LI was previously CEO of Shandong Yatai Zhonghui Group Co., Ltd. (山東亞太中慧集團) and a vice president of Pacific Alliance Group. Mr. LI obtained his Master's Degree in Economics (majoring in Finance) from the School of Finance of Renmin University of China.

Mr. WANG Yugui, born in 1951, is an External Supervisor of the Bank and a member of the Supervisory Committee and Chairman of the Nomination and Examination Committee of the Board of Supervisors. Mr. WANG is an external supervisor of Bank of Hebei Co., Ltd., an arbitrator of the Maritime Arbitration Commission of China Council for the Promotion of International Trade, and an independent director of Asia-Pacific Property & Casualty Insurance Co., Ltd. Mr. WANG was general manager of China Shipowners Mutual Assurance Association, and an executive council member of China Maritime Law Association and the China Association of Trade in Services. He was also a non-executive director and a supervisor of China Everbright Bank (listed on the SSE (stock code: 601818) and on the SEHK (stock code: 06818)), a Non-Executive Director of the first to sixth sessions of the Board of the Bank and a supervisor of Haitong Securities Co., Ltd. (listed on the SSE (stock code: 600837) and on the SEHK (stock code: 06837)). Mr. WANG graduated from Beijing International Studies University in 1977 and is a senior economist.

Mr. ZHAO Fugao, born in 1955, is an External Supervisor of the Bank and a member of the Supervisory Committee and the Nomination and Examination Committee of the Board of Supervisors. Mr. ZHAO served as a staff member, a deputy principal staff member, a deputy division director, a division director, a vice president and president of the CCB (listed on the SEHK (stock code: 00939) and on the SSE (stock code: 601939)) Sichuan branch, during which he concurrently served as president of the CCB Chengdu branch. He was also general manager of the personal deposit and investment department of the head office of CCB, and person in charge of the preparatory team of insurance business of CCB. He was also president and a vice chairman of CCB Life Insurance Company Limited (which was renamed as CCB Life Insurance Co., Ltd. in 2016) and head of the preparatory team of CCB Property & Casualty Insurance Co., Ltd. and CCB Life Insurance Asset Management Company Limited. Mr. ZHAO obtained his Bachelor's Degree in Economics from Hubei University of Finance and Economics (currently known as Zhongnan University of Economics and Law) in January 1982. He is a senior economist and an expert with special allowances of the State Council.

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Mr. ZHANG Liqing, born in 1963, is an External Supervisor of the Bank and a member of the Nomination and Examination Committee of the Board of Supervisors. Mr. ZHANG currently works in the Central University of Finance and Economics as a professor of School of Finance (a doctoral supervisor), director of the Centre for International Finance Studies, and director of Collaborative Innovation Centre for Global Financial Governance. He is also an independent non-executive director of E-Star Commercial Management Company Limited (listed on the SEHK (stock code: 06668)). Mr. ZHANG served as dean of the School of Finance, a deputy director of the finance department and a director of the international finance teaching and research office of Central University of Finance and Economics. He was also a visiting research fellow at the Fairbank Centre for Chinese Studies of Harvard University, a visiting research fellow at the Earth Institute of Columbia University, a senior visiting research fellow at the Peterson Institute for International Economics, a visiting scholar at the Economic Development Institute of the World Bank, a guest professor at the College of Asia and the Pacific of Australian National University, a guest professor at the Business School of University of Birmingham, and a guest professor at the German University of Applied Sciences. He was an independent director of China Securities Co., Ltd., an independent director of Poly Developments and Holdings Group Co., Ltd. (listed on the SSE (stock code: 600048)), an independent non-executive director of Gome Finance Technology Co., Ltd. (listed on the SEHK (stock code: 00628)) and an independent director of Bank of Ruifeng. Mr. ZHANG obtained his Ph.D. Degree in Economics from Renmin University of China (majoring in global economics).

Mr. GONG Zhijian, born in 1967, is an Employee Supervisor of the Bank and a member of the Supervisory Committee of the Board of Supervisors. He is currently General Manager of the Human Resources Department of the Head Office of the Bank. Mr. GONG joined the Bank in 2001 and successively served as General Manager of the Human Resources Department of Shenzhen Branch, Division Director of the Human Resources Management Division, Division Director of the Remuneration and Compensation Management Division, an Assistant General Manager then a Deputy General Manager of the Human Resources Department of the Head Office, a Deputy General Manager (in charge) and then General Manager of the Development Planning Department of the Head Office, and President of Chengdu Branch. Prior to joining the Bank, Mr. GONG successively served as a teaching assistant of the lecturers' group and an officer of the corporate communications department of the publicity department of the CPC Yiyang Municipal Committee of Hunan Province, a deputy section chief of the social development planning section of Yiyang Municipal Commission of Planning of Hunan Province and general manager of the personnel and education department of Zhuhai City Commercial Bank of Guangdong Province from July 1991 to February 2001. Mr. GONG obtained his Ph.D. Degree in Business Administration from Wuhan University.

(III) Duties of the Board of Supervisors

In accordance with the Articles of Association, the Board of Supervisors of the Bank mainly exercises the following functions and powers: to review regular reports of the Company prepared by the Board and propose opinions on the reports in writing; to examine financial activities of the Company and (if necessary) engaging another accounting firm to conduct independent auditing on financial status in the name of the Company; to oversee the compliance of Directors and Senior Management of the Company in performing their duties; to make proposals to remove any Director and/or member of Senior Management if he/

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she breaches any applicable laws, administrative regulations, the Articles of Association or resolutions of shareholders' general meetings; to conduct audit over any issues in connection with the operation and decision making, risk management and internal control of the Company as and when necessary; to make a departure audit, if required, in respect of any resigned Director or members of Senior Management; to issue opinions on the engagement of the accounting firm by the Company; to propose to convene an extraordinary general meeting and an extraordinary board meeting; to file lawsuits against Directors and members of Senior Management according to Article 151 of the Company Law of the People's Republic of China; to investigate any irregularities in the operations of the Company; and to exercise other rights prescribed by the Articles of Association or authorised by the Shareholders' General Meeting.

(IV) Meetings of the Board of Supervisors and contents of resolutions

During the Reporting Period, the Board of Supervisors of the Bank convened a total of six meetings and considered and approved 22 proposals regarding the annual report, work report of the Board of Supervisors, report on duty performance evaluation, profit distribution plans, report on internal control evaluation, and regular reports. The Board of Supervisors reviewed 21 reports including the annual report on risk management, data governance report, capital management report, report on related party transactions management, IT risk report, and report on business continuity management. During the Reporting Period, the Board of Supervisors raised no objections regarding supervised matters.

Meeting	Date	Publication	Date of Disclosure
3rd meeting of the eighth session of the Board of Supervisors	30 March 2021	Shanghai Securities News, China Securities Journal, Securities Times	31 March 2021
4th meeting of the eighth session of the Board of Supervisors	29 April 2021	Reviewing the 2021 Q1 Report, no announcement on resolution disclosed	
5th meeting of the eighth session of the Board of Supervisors	27 August 2021	Shanghai Securities News, China Securities Journal, Securities Times	28 August 2021
6th meeting of the eighth session of the Board of Supervisors	26 September 2021	Shanghai Securities News, China Securities Journal, Securities Times	27 September 2021
7th meeting of the eighth session of the Board of Supervisors	29 October 2021	Shanghai Securities News, China Securities Journal, Securities Times	30 October 2021
1st extraordinary meeting of the eighth session of the Board of Supervisors	26 November 2021	Shanghai Securities News, China Securities Journal, Securities Times	27 November 2021

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(V) Attendance of the Supervisors of the Bank at the meetings in 2021

Supervisor	Meeting of Board of Supervisors	Shareholders' General Meeting	Special committees of the Board of Supervisors: Nomination and Examination Committee	Special committees of the Board of Supervisors: Supervisory Committee
	Attendance/Number of meetings			
ZHANG Juntong	6/6	2/2	3/3	12/12
YANG Yu	1/1	0/0	–	1/1
LU Zhongnan	6/6	2/2	3/3	12/12
ZHAO Huan John	6/6	2/2	3/3	–
LI Yu	6/6	2/2	3/3	12/12
WANG Yugui	6/6	2/2	3/3	12/12
ZHAO Fugao	6/6	2/2	3/3	12/12
ZHANG Liqing	6/6	2/2	3/3	–
GONG Zhijian	1/1	0/0	–	1/1
GUO Dong (off-office)	5/5	2/2	–	11/11
LI Jian (off-office)	5/5	2/2	–	11/11

Note: For changes of Supervisors, please refer to "VI. Directors, Supervisors and Senior Management" in "Chapter 7 Corporate Governance".

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(VI) Duty performance of External Supervisors

During the Reporting Period, the External Supervisors were able to devote sufficient time and energy to performing their duties. The External Supervisors proactively attended meetings and conscientiously considered various proposals. They participated in investigations and evaluations, took initiative to understand operation and management status of the Company, and took advantage of their specialties and work experience to voice objective, fair, and independent opinions in a timely manner. In addition, the External Supervisors paid close attention to the related party transactions between the Bank and its shareholders and supervised the legal and compliant status of such transactions.

(VII) Operation of the Special Committees of the Board of Supervisors

1. Nomination and Examination Committee

(1) Composition and meetings convened in 2021

As at the end of the Reporting Period, the Nomination and Examination Committee of the eighth session of the Board of Supervisors had seven members, with WANG Yugui as the chairman and ZHANG Juntong, LU Zhongnan, ZHAO Huan John, LI Yu, ZHAO Fugao and ZHANG Liqing as members.

The major duties of the Nomination and Examination Committee of the Board of Supervisors include: Making recommendations to the Board of Supervisors on the size and composition of the Board of Supervisors according to the operation and management status, asset size and equity structure of the Bank; reviewing standards and procedures for election of Supervisors and making recommendations to the Board of Supervisors; carrying out examination on qualification and conditions of the candidates for Supervisors nominated by shareholders; supervising and evaluating the performance of Directors, Supervisors and Senior Management during the year; studying and formulating remuneration policy and plans of Supervisors and submitting reports to the Board of Supervisors for consideration, or submitting reports to the Shareholders' General Meeting for consideration in the event that the approval of Shareholders' General Meeting is required; supervising procedures for election of Directors; supervising the remuneration management system and policy of the Bank and supervising if the remuneration plan of Senior Management is efficient and reasonable; conducting departure auditing of Directors and Senior Management when necessary; and performing other duties authorised by the Board of Supervisors.

In 2021, the Nomination and Examination Committee of the Board of Supervisors convened three meetings, and considered and reviewed eight issues.

(2) Duty performance

During the Reporting Period, based on the work plan of the Board of Supervisors, the Nomination and Examination Committee actively performed its duties and functions conferred by the Articles of Association and the Terms of Reference of Nomination and Examination Committee of the Board of Supervisors《監事會提名與評價委員會工作細則》. It carried out the performance evaluation, studied, reviewed and approved the remuneration distribution plan for the Supervisors, organised and arranged training programmes for Supervisors, received briefings on reports on the implementation of remuneration management system of the Bank and the remuneration plan of Senior Management, analysed and studied the implementation of guiding opinions on performance-based remuneration recourse and recovery mechanisms. The Committee successfully completed all tasks in 2021 and duly performed its duties.

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1) Carrying out performance evaluation

During the Reporting Period, the Nomination and Examination Committee completed the annual performance evaluation for 2020. It reviewed and supervised the performance of Directors and Senior Management through different ways on a regular and on-going basis, including attending meetings of the Board and the Senior Management as non-voting delegates, listening to briefings on special reports, organising special evaluations and researches and refining the performance supervision files of Directors. It carried out supervision and appraisal of the Board of Directors and Directors, Senior Management and its members and self-evaluation of the Board of Supervisors and Supervisors based on the supervision information of performance during the year. It also formulated the Performance Supervision and Evaluation Report on the Board of Directors and Directors in 2020 《2020年度董事會及董事履職監督評價報告》, the Performance Evaluation Report on the Board of Supervisors and Its Members in 2020 《2020年度監事會及其成員履職評價報告》 and the Performance Supervision and Evaluation Report on the Senior Management and Its Members in 2020 《2020年度高級管理層及其成員履職監督評價報告》.

2) Studying, reviewing and approving Supervisors' remuneration distribution plan

In accordance with the Articles of Association, the duties of the Nomination and Examination Committee include studying and formulating remuneration policy and plans for Supervisors. During the Reporting Period, the Nomination and Examination Committee reviewed the remuneration distribution for Supervisors in 2020 based on researches and submitted the results to the Board of Supervisors for consideration, approval and disclosure along with the 2020 Annual Report.

3) Organising training programmes for Supervisors

During the Reporting Period, the Nomination and Examination Committee successively arranged Supervisors to participate in training courses organised by the regulatory authorities in batches, successfully fulfilled the training requirements of regulatory authorities on professional qualification for Supervisors and improved the Supervisors' capability to perform their duties.

4) Supervising remuneration management of the Bank

During the Reporting Period, the Nomination and Examination Committee received briefings on reports on the implementation of remuneration management system of the Bank and the remuneration plans for Senior Management, analysed and studied the implementation of the Guiding Opinions on Establishing and Improving Performance-Based Remuneration Recourse and Recovery Mechanisms by Banking and Insurance Institutions, and put forward relevant improvement opinions and suggestions.

2. Supervisory Committee

(1) Composition and meetings convened in 2021

As on 1 January 2021, the Supervisory Committee of the eighth session of the Board of Supervisors had seven members, with ZHANG Juntong as the chairman and GUO Dong, LU Zhongnan, LI Yu, WANG Yugui, ZHAO Fugao and LI Jian as members. Pursuant to the Proposal on Adjusting Members of the Supervisory Committee of the Eighth Session of the Board of Supervisors 《關於調整第八屆監事會監督委員會成員的議案》 considered and approved at the 1st extraordinary meeting of the eighth session of the Board of Supervisors of the Bank on 26 November 2021, as at the end of the Reporting Period, the number of members of the Supervisory Committee of the Board of Supervisors was seven, with ZHANG Juntong as the chairman and YANG Yu, LU Zhongnan, LI Yu, WANG Yugui, ZHAO Fugao and GONG Zhijian as members.

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The major duties of the Supervisory Committee of the Board of Supervisors include: Formulating proposals on the examination and supervision on the financial activities of the Company; formulating proposals on the examination and supervision of the operation decisions, risk management and internal control of the Company; evaluating the compliance and implementation of significant decisions of the Bank; organising visits, researches, and investigations on business units of the Bank and supervising the rectification of relevant deficiencies; carrying out specific investigations on key projects as required by regulatory authorities and submitting investigation reports in a timely manner; and performing other duties authorised by the Board of Supervisors.

During the Reporting Period, the Supervisory Committee convened 12 meetings, reviewed 50 proposals, and conveyed, studied and circulated 52 important documents and matters.

(2) Duty performance

During the Reporting Period, based on the work plan of the Board of Supervisors, the Supervisory Committee of the Board of Supervisors actively performed the duties and functions conferred by the Articles of Association and the Terms of Reference of Supervisory Committee of the Board of Supervisors《監事會監督委員會工作細則》. The Supervisory Committee carried out supervision in a prudent manner, assisted the Board of Supervisors in completing major researches and enhanced supervision on key areas such as national policy implementation, strategy formulation and execution, risk management, internal control and compliance, and financial management. Through further optimising its supervision response mechanism, the Supervisory Committee duly performed its duties.

1) Highlighting supervision of the implementation of macro policies and regulatory opinions

The Supervisory Committee further strengthened efforts to supervise the Board of Directors and Senior Management in implementing major decisions and arrangements of the CPC Central Committee and the State Council as well as various regulatory requirements. Guided by macro policies, the Supervisory Committee paid attention to the support of financial services for the real economy, advanced the implementation of various policy requirements, and motivated the Bank to elevate ESG performance and social responsibility commitments. Firstly, the committee strengthened supervision on the Board of Directors and Senior Management in implementing major national decisions and arrangements relevant to financial services for agriculture, rural areas and farmers, NSOEs, small and micro enterprises, inclusive finance, green finance, consumer rights protection, data security, etc., and in preventing and dissolving financial risks in real estate, local governments' hidden debts and other fields. Secondly, the committee attached great importance to supervising the implementation of regulatory opinions and rectification of regulatory problems. It regarded annual regulatory notifications and other regulatory opinions as key tasks of annual supervision, and conducted solid surveillance on the rectification of problems. Meanwhile, it established and perfected the mechanism for rectification quality tracking and examination, to continuously track the rectification of regulatory opinions throughout the year, and prompted the Senior Management to further intensify rectification to ensure positive results.

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2) Focusing on supervision of strategies

The Supervisory Committee tracked and supervised the whole process of the formulation, discussion and implementation of the new five-year development plan of the Bank. In the formulation stage, the committee focused on supervising whether the development strategies were legitimate, compliant, scientific, reasonable and sound, and whether they conformed to the operation philosophy, value criteria and actual development needs of the Company. Furthermore, it carried out field researches to transmit strategies of the Head Office and the core philosophy of reform and development, and expressed supervisory suggestions. In the discussion stage, by attending the meetings of the Board of Directors and the Strategic Development and Consumer Rights Protection Committee of the Board of Directors as non-voting delegates and other means, it laid emphasis on supervising the compliance and effectiveness of the discussion process of the Board of Directors and the special committee. In the implementation stage, it issued supervisory notices to prompt the Board of Directors to highly value strategic risk management and prevent and dissolve strategic risks.

3) Conducting financial supervision in a solid manner

The Supervisory Committee continued to strengthen the supervision and inspection on key financial activities and key accounting matters of the Bank as well as the truthfulness, accuracy and completeness of regular reports based on regulatory requirements and information disclosure regulations. Through receiving briefings by internal and external auditors regularly, attending relevant Board meetings as non-voting delegates and reviewing regular reports, the committee strengthened the supervision of the truthfulness, accuracy and completeness of the financial report of the Bank. The committee paid close attention to the compliance of key regulatory indicators of the Bank and the changes in major operational data and indicators, conducted comparative analysis between the Bank and other banks in terms of major financial data and operations status, and generated two issues of reports on the analysis of operations of other banks and the supervision on the Bank's operating indicators, in which the committee made comparative analysis on profitability, scale growth, asset quality, regulatory indicators, development and efficiency, comprehensively examined the Bank's achievements and shortcomings in business management and development, and provided necessary recommendations to the Board of Directors and Senior Management. With a focus on financial management, wealth management and other businesses, it brought forward supervisory opinions and issued 6 supervisory notices on financial management to inform the Senior Management of operational risks in a timely and necessary manner and urge the rectification work.

4) Strengthening supervision of risk management

In accordance with the regulatory requirements and based on the actual situation of the Bank, the committee focused on the supervision of comprehensive risk management, risks in key areas and major risk events. Firstly, it received briefings on work reports on overall risk, liquidity risk, operational risk, reputation risk, interest rate risk of banking books, information technology risk, etc., paid close attention to the control, early warning and disposition of risks in key areas, crucial links and large-amount exposure, and made various management recommendations. Secondly, it provided supervisory opinions on credit risk, liquidity risk, strategic risk, information technology risk, local governments' hidden debt-related risks, as well as on key business risks in relation to online loans, write-offs of bad loans, agency sales and real estate credit management. 14 supervisory notices on risk management were issued and follow-up measures and implementation were monitored to ensure effective prevention of risks.

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5) Improving supervision of internal control and compliance

The Supervisory Committee continuously put great efforts in supervising internal control and compliance management of the Bank. Firstly, it received briefings on internal control and compliance, compliance of credit reporting, anti-money laundering, case prevention, consumer rights protection, behaviour management of employees and other works and made various management recommendations. Secondly, it received briefings on work report on audit, major audit findings and audit work plans, received special briefings on audit items, including consolidated statements of the Group, market risk and capital management, information technology risk, retail agency sales, consumer rights protection, performance management, stakeholder business and related party transactions. It paid attention to key issues, and monitored follow-up measures and implementation. Thirdly, it provided supervisory opinions on the reporting mechanism for internal oversight and inspection, anti-money laundering, consumer rights protection, innovation management and related party transactions. 20 supervisory notices on internal control and compliance were issued, which effectively improved internal control management of the Bank.

6) Enhancing supervision effectiveness

In accordance with supervision priorities and rectification requirements, the Supervisory Committee further centralised supervisory resources and conducted effective and differentiated supervision. The committee pointed out key issues by sending supervisory notices, prepared summaries of supervision work to track and urge the rectification progress, and evaluated the progress, measures, plans and effectiveness of rectifications. It issued 45 supervisory notices, compiled ten supervision summaries and supervised 23 tasks in the year, which transformed supervisory results into decision-making for operation and management, and fully performed its supervisory function. At the meetings, the committee timely circulated and conveyed contents of various important documents related to major national policies, the latest regulatory rules and regulations and reports on the Bank's key businesses, which further enhanced the supervision effectiveness.

X. The Senior Management

(I) Composition and duties of the Senior Management

As at the date of disclosure of this Report, the Senior Management of the Bank had 10 members, including President ZHENG Wanchun, Executive Vice President YUAN Guijun, Executive Vice President CHEN Qiong, Executive Vice President SHI Jie, Executive Vice President LI Bin, Executive Vice President LIN Yunshan, Executive Vice President HU Qinghua, Chief Financial Officer & Board Secretary BAI Dan, Chief Audit Officer ZHANG Yuebo and Chief Information Officer ZHANG Bin.

The Bank's Senior Management is responsible to the Board of Directors and is subject to the supervision of the Board of Supervisors, carries out business management activities in accordance with the Articles of Association and authorisation of the Board of Directors, and implements the resolutions of the shareholders' general meetings and the Board of Directors. The business management activities conducted by the Senior Management within the scope of their power in accordance with the law shall be free from improper interference by shareholders and the Board of Directors. The major duties of the Senior Management of the Bank include: Taking charge of the routine operation and management of the Bank and reporting work to the Board of Directors; organising to implement resolutions of the Board of Directors, annual operation plans and investment schemes of the Bank; and formulating schemes on the setting of internal management departments and banking outlets, basic management systems and specific rules and regulations of the Bank.

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(II) Resumes of current Senior Management

Mr. ZHENG Wanchun is a Vice Chairman of the Bank. Please refer to his biography in "Directors – Executive Directors".

Mr. YUAN Guijun is an Executive Director of the Bank. Please refer to his biography in "Directors – Executive Directors".

Ms. CHEN Qiong, born in 1963, has been an Executive Vice President of the Bank since June 2018. Ms. CHEN is an Executive Vice President of the Bank. Before joining the Bank, she was a deputy head of the discipline inspection group at the former CBRC designated by the CPC Central Commission for Discipline Inspection from 2016 to 2018 (director-general level), a deputy secretary of the disciplinary inspection committee and director-general of the staff compliance and disciplinary bureau of the former CBRC from 2014 to 2016, director-general of the former CBRC Anhui office from 2011 to 2014, a deputy director-general of the non-bank financial institutions supervision department of the former CBRC from 2006 to 2011, and a deputy director-general of the former CBRC Fujian office from 2005 to 2006. She also worked as a principal staff member, a deputy division director, a researcher and a division director in the law and regulation department of the former CBRC as well as in the banking management department, the Tianjin branch, the banking supervision department I, the audit supervision bureau and the education department of the PBOC. Ms. CHEN is a deputy to the twelfth session of the National People's Congress and a representative of the ninth session of the Congress of the CPC in Anhui Province. Ms. CHEN obtained her Master's Degree in Public Administration from Columbia University in the United States and Ph.D. Degree in Finance from Hunan University.

Mr. SHI Jie, born in 1965, is an Executive Vice President of the Bank. Mr. SHI joined the Bank in 1998 and served as General Manager of Planning and Finance Department of Shijiazhuang Sub-Branch of the Bank. He successively served as General Manager of the Business Department of Shijiazhuang Branch since March 2001, Deputy Division Director (in charge) of the Risk Management Department of Head Office of the Bank since July 2001, an Assistant General Manager and a Deputy General Manager of the Credit Assessment Department of Head Office since February 2004, Head of the Preparatory Team and President of Changchun Branch since June 2008, General Manager of the Credit Assessment Department of Head Office since August 2009 and an Assistant President of the Bank since 2012. Prior to joining the Bank, Mr. SHI served as a section chief of the finance division of Hebei University of Economics and Business from 1995 to 1998 and an executive member of Taihang Industrial Co., Ltd. of Hebei Institute of Finance and Economics from 1992 to 1995. Mr. SHI obtained his Master's Degree in Management from Tianjin Institute of Finance and Economics.

Ms. LI Bin, born in 1967, is an Executive Vice President of the Bank. Ms. LI joined the Bank in 1995 and served as Division Director (in charge) of the Capital Division of the International Business Department of the Bank. She successively served as a Deputy General Manager of the Financial Institutions Department since October 2000, General Manager of the Derivatives Products Department since May 2007, President of the Financial Markets Department since May 2009 and an Assistant President of the Bank since 2012. Prior to joining the Bank, Ms. LI worked in the international department of the Beijing branch of Agricultural Bank of China from August 1990 to July 1995. Ms. LI obtained her Ph.D. Degree in Finance from the School of Finance of Renmin University of China.

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Mr. LIN Yunshan, born in 1970, is an Executive Vice President of the Bank. Mr. LIN joined the Bank in 2001, and successively served as Division Director of the Bills Business Division of the Corporate Business Department from 2002 to 2003, an Assistant General Manager of the Corporate Business Department from 2003 to 2005, a Vice President of Shenzhen Branch from 2005 to 2007, Director of the Office of Corporate Banking Management committee and then General Manager of the Corporate Banking Department from 2007 to 2012, and an Assistant President of the Bank since 2012. Prior to joining the Bank, Mr. LIN worked for the PBOC as a deputy principal staff member and a principal staff member of the payment and settlement division of the accounting department from 1993 to 1998, a principal staff member of the payment system division of the payment technology department from 1998 to 1999 and a principal staff member of the CCB supervisory division of the supervisory department I from 1999 to 2001. Mr. LIN obtained his Master's Degree in Finance from Renmin University of China.

Mr. HU Qinghua, born in 1963, is an Executive Vice President of the Bank. Mr. HU joined the Bank in November 1999, and served as a Vice President of Nanjing Branch, a Deputy Head of the Preparatory Team of Fuzhou Branch then a Vice President of Fuzhou Branch from November 1999 to March 2002, President of Chengdu Branch from March 2002 to January 2007, President of Nanjing Branch from January 2007 to March 2015, President of Shanghai Branch from March 2015 to February 2017 and concurrently President of Shanghai Pilot Free Trade Zone Branch, and Chief Risk Officer from February 2017 to October 2020. Prior to joining the Bank, Mr. HU used to work in the PBOC Jiangsu branch as a staff member, a deputy principal staff member of the gold and silver management division, a manager of the financing centre and an assistant general manager of the financial centre. He served as a deputy director (in charge) of the Chengnan office under the Nanjing branch of Huaxia Bank from 1995 to 1997 and president of the Chengnan sub-branch of the Nanjing branch of Huaxia Bank from 1997 to 1999. Mr. HU obtained his EMBA Degree from Nanjing University.

Ms. BAI Dan, born in 1963, is the Chief Financial Officer and Board Secretary of the Bank. Ms. BAI joined the Bank in 2000 as a Deputy General Manager of the Planning and Finance Department. She also served as a Deputy General Manager and General Manager of the Accounting and Settlement Department and General Manager of the Finance and Accounting Department of the Bank since January 2002 and December 2008, respectively. Prior to joining the Bank, Ms. BAI worked for the Bank of Communications as an assistant general manager, a deputy general manager and then general manager of the accounting department of the Dalian branch from 1993 to 2000, and an accountant, a deputy section chief then section chief of the Dalian development area sub-branch from 1988 to 1993. Ms. BAI obtained her MBA Degree from Beijing Jiaotong University. She is now an accountant.

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Mr. ZHANG Yuebo, born in 1962, has been the Chief Audit Officer of the Bank since February 2017. Mr. ZHANG joined the Bank in July 1995, and served as a member of the Preparatory Team of the Bank until January 1996, a Deputy Director of the Accounting Department of the Head Office of the Bank from January 1996 to October 1996, a Deputy General Manager of the Beijing Administrative Department and concurrently President of Zhongguancun Sub-Branch of the Bank from October 1996 to May 1999, a Deputy General Manager (in charge) and General Manager of the Finance and Accounting Department from May 1999 to May 2001, and General Manager of the Planning and Finance Department and the IT Department of Head Office of the Bank from May 2001 to February 2002. Mr. ZHANG went on a government-funded study at West Virginia University from February 2002 to June 2003. He then served as General Manager of the Internal Audit Department and Chief Internal Audit Executive of the Bank from July 2003 to May 2010, Chief Internal Audit Executive of the Bank from May 2010 to February 2017, and concurrently as General Manager of the Internal Audit Department of the Bank since May 2010. Prior to joining the Bank, Mr. ZHANG Yuebo was previously division director of the finance division of China Rural Area Development of Trust Investment Company from March 1992 to June 1995, section chief of the accounting section of Xisi sub-branch of the CCB Beijing branch from July 1983 to March 1992. Mr. ZHANG Yuebo obtained his Master's Degree in Law from Peking University and his MBA Degree from West Virginia University, and is a senior accountant.

Mr. ZHANG Bin, born in 1967, is Chief Information Officer of the Bank. Prior to joining the Bank, Mr. ZHANG served as chief information officer of Ping An Bank from 2018 to 2021, a member of the preparatory team, vice president and chief information officer, and an executive director of Zhongyuan Bank from 2014 to 2017, an assistant general manager, a deputy general manager (in charge), general manager, and technical director of the IT department of the Head Office of CITIC Bank from 2005 to 2014, an engineer, a manager, an assistant general manager, and a deputy general manager of the IT department of China Merchants Bank Beijing Branch from 1996 to 2005, and an engineer of the technology section of No.1 Radio Factory in Huainan City of Anhui Province from 1989 to 1993. Mr. ZHANG obtained his Master's Degree in Software Engineering from the Institute of Software of the Chinese Academy of Sciences and EMBA Degree from China Europe International Business School.

Joint Company Secretaries

Ms. BAI Dan is Chief Financial Officer and Board Secretary of the Bank. Please refer to her biography in "Senior Management".

Ms. WONG Wai Yee, Ella, aged 46, currently works as a director of corporate services of Tricor Services Limited (hereinafter referred to as "Tricor"), a global professional services provider specialising in integrated business, corporate and investor services. Ms. WONG has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. WONG is a chartered secretary, a chartered governance professional and a fellow of both the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly the Institute of Chartered Secretaries and Administrators). Ms. WONG is a holder of the Practitioner's Endorsement from HKICS. (Note: The Bank has engaged Tricor as an external service provider and appointed Ms. WONG as the Bank's Company Secretary/Joint Company Secretary since 20 February 2017.)

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XI. Employees

As at the end of the Reporting Period, the Group had 60,232 employees, of which 57,613 were employees of the Bank and 2,619 were employees of the subsidiaries of the Bank. Divided by work nature, 6,471 employees were categorised as the management sequence team and 51,142 employees as the professional sequence team. The Bank had 12,097 employees with graduate degree or above, accounting for 21% of the total number of employees, 41,274 employees with bachelor's degree, accounting for 71.6%, and 4,242 employees with tertiary qualification or below, accounting for 7.4%. 695 employees of the Bank have retired. (Note: The professional sequence team represents personnel engaging in product research and development, risk management, IT and operation support, etc.)

The guiding principles of the Bank's remuneration policy are to promote the establishment of a new model of high-quality and sustainable development via forward-looking and targeted investment in human resources in accordance with the strategic transformation requirements and business goals of the Bank, and further consolidate the important role of human resources allocation in promoting the implementation of strategies, reform in key areas and development of key businesses and enhancing the capital control. It also guides the Bank to consolidate customer base by pushing forward customer-centric transformation of business model, maintaining reasonable competitiveness in the remuneration market and strengthening the restraining role of remuneration and incentive policies in risk management and control.

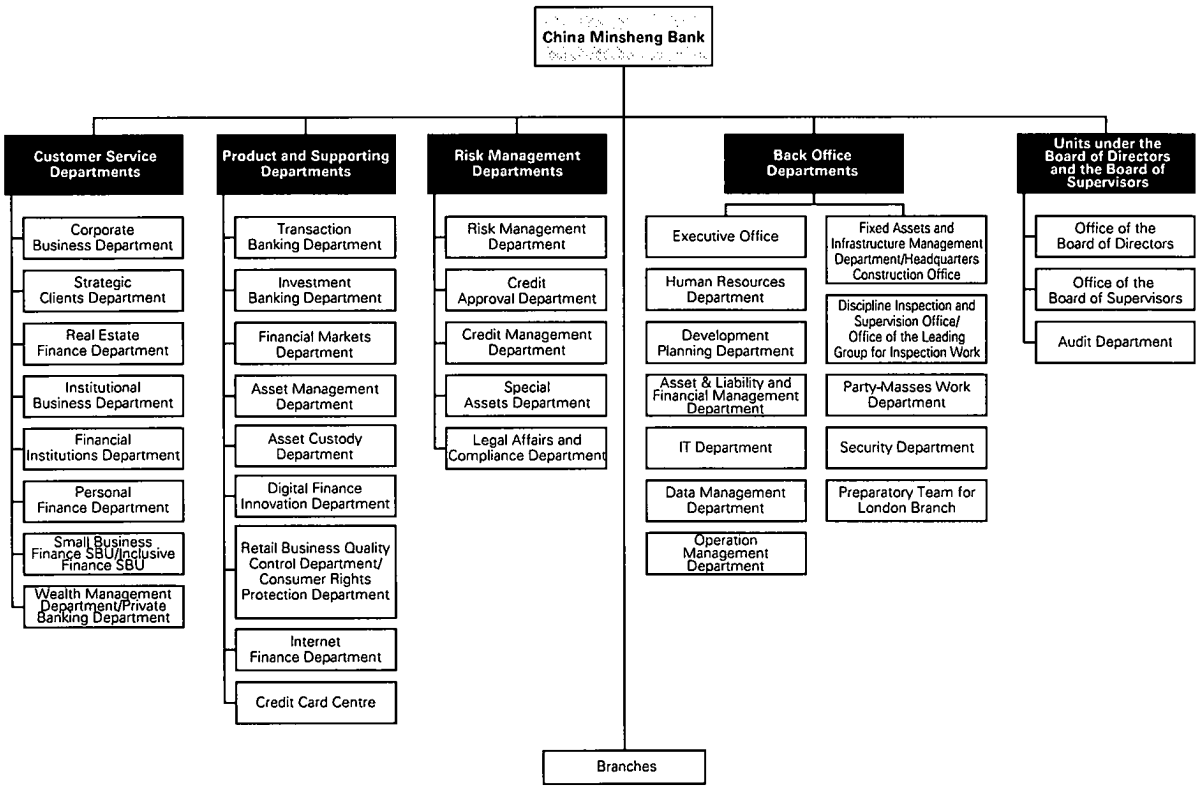
In accordance with the internal management system, the total annual remuneration of employees is determined after comprehensively considering the total number and structure of employees, growth of young employees, talent introduction and cultivation in strategic business areas, risk control, operating results and other factors. In addition, the performance-based remuneration of the employees is pegged to the comprehensive performances of the business unit (department) and themselves. In terms of appraisal indicators, key performance indicators are set up, including sustainable development indicator, customer base indicator, risk control indicator, economic efficiency indicator and social responsibility indicator to align the remuneration with operating results, risk prevention and social responsibilities. In 2021, the Bank consistently conducted structural remuneration adjustments to fully guarantee the remuneration level of front-line employees, young employees and business backbone employees. Moreover, the remuneration level of the middle and senior management decreased to some extent when compared with that of other banks in the market, as it was pegged to the performance accomplishments of the Bank.

In order to improve the incentive and restraint mechanism for performance-based remuneration, allow full play to the leading role of performance-based remuneration in corporate governance and risk management and control, strike a balance between current and long-term period as well as benefits and risks, and prevent radical operation behaviours and violations of laws and regulations, the Bank sets up the mechanism for deferred payment, recourse and recovery of performance-based remuneration regarding the senior management, employees in key posts and in posts having significant impact on risks. In the cases of violations of laws, regulations and disciplines, occurrence of abnormal risk exposure within the scope of duty, or major risk incidents, the Bank will, depending on the circumstances, deduct, stop paying, recourse and recover the performance-based remuneration of relevant accountable persons.

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In 2021, the Bank closely followed its strategic development direction to conduct the training work. It integrated business practice and talent development chains and strengthened technology-driven innovation by taking the development of the organisation and employees as the centre and the improvement of quality and efficiency as the orientation, in an aim to build a brand-new training system that satisfies the organisation, gains business recognition, results in dependency of employees and achieves excellent results. With an emphasis on the core management teams and key strategic transformation teams, the Bank conducted training programmes, including training at Party schools for senior management, capability enhancement camp for reserve talents for senior management, and digital finance pioneering project, thereby cultivating key talents in a more rapid and effective manner. As for the training of business segments, the Bank concentrated on performance improvement and layered and classified precise empowerment. Additionally, the Bank comprehensively promoted learning map construction, combined organisation capacity building with professional career development of employees, and took a crucial step in long-term talent building and in integrating cultivation and development. It explored the innovation of training methods and deepened technology-driven learning. The course series of "The Voice of Reform (改革V動力)" demonstrated the panorama view of the reform blueprint and provided in-depth interpretation of the front line businesses, the morning course series of "Morning Knowledge Supply (晨光充電站)" effectively raised the basic quality of employees in terms of digital transformation, and the course series of "Education on the Bottom Line of Legal Compliance (法律合規底線教育活動)" helped the Bank improve its management capability and capacity in terms of legal affairs and compliance.

XII. Setting of Departments of the Bank



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XIII. Business Network

As at the end of the Reporting Period, the Bank had 42 tier-one branches and 99 tier-two branches (including remote sub-branches) in 41 cities across China, with 141 branch-level banking outlets in total.

During the Reporting Period, the Bank did not have newly opened tier-one or tier-two branches.

Major entities of the Bank as at the end of the Reporting Period are shown as follows:

Name of entity	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Head Office	1	12,870	3,060,640	No. 2 Fuxingmennei Avenue, Xicheng District, Beijing
Beijing Branch	160	3,890	874,793	Unit 02 on 1/F & 3/F-12/F, Tower B, Zhaotai International Centre, No. 10 Chaoyangmen Nan Avenue, Chaoyang District, Beijing
Shanghai Branch	91	2,647	510,859	No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Guangzhou Branch	99	2,682	287,316	Minsheng Tower, No. 68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou, Guangdong Province
Shenzhen Branch	58	1,921	226,691	Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen, Guangdong Province
Wuhan Branch	89	1,580	88,220	China Minsheng Bank Tower, No. 396 Xinhua Road, Jianghan District, Wuhan, Hubei Province
Taiyuan Branch	110	1,457	92,139	3-5/F, 9-21/F, Block 3, Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan, Shanxi Province
Shijiazhuang Branch	139	2,033	101,664	Minsheng Bank Tower, No. 197 Yuhua Dong Road, Chang'an District, Shijiazhuang, Hebei Province
Dalian Branch	46	842	99,696	Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian, Liaoning Province
Nanjing Branch	190	3,337	338,413	Minsheng Bank, Block One, Zijin Finance Center, No. 399 Jiangdong Zhong Road, Jianye District, Nanjing, Jiangsu Province

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Name of entity	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Hangzhou Branch	87	1,924	205,655	Block Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou, Zhejiang Province
Chongqing Branch	106	1,176	109,599	Tongjuyuanjing Building, No. 9 Jianxin Bei Road, Jiangbei District, Chongqing
Xi'an Branch	93	1,303	85,028	Minsheng Bank, Building 5, Taihua Jinmao International, No. 16, Fenghui Nan Road, Gaoxin District, Xi'an, Shaanxi Province
Fuzhou Branch	42	980	50,986	No. 282 Hudong Road, Fuzhou, Fujian Province
Jinan Branch	132	2,013	133,730	No. 229 Luoyuan Street, Jinan, Shandong Province
Ningbo Branch	42	762	46,268	No. 815 Juxian Road, Gaoxin District, Ningbo, Zhejiang Province
Chengdu Branch	114	1,565	134,449	Block 6, No. 966 Tianfu Avenue Beiduan, Gaoxin District, Chengdu, Sichuan Province
Tianjin Branch	54	1,002	112,774	China Minsheng Bank Tower, No. 43 Jianshe Road, Heping District, Tianjin
Kunming Branch	81	928	68,200	No. 11800 Caiyun Bei Road, Kunming, Yunnan Province
Quanzhou Branch	43	616	27,848	No. 689 Citong Road, Fengze District, Quanzhou, Fujian Province
Suzhou Branch	36	1,109	97,969	Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou, Jiangsu Province
Qingdao Branch	46	944	65,613	No. 190 Hai'er Road, Laoshan District, Qingdao, Shandong Province
Wenzhou Branch	23	562	57,818	Minsheng Bank, Finance Tower, No. 1 Huaijiang Road, Lucheng District, Wenzhou, Zhejiang Province
Xiamen Branch	25	531	40,593	Xiamen Minsheng Bank Tower, No. 50 Hubin Nan Road, Xiamen, Fujian Province

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Name of entity	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Zhengzhou Branch	105	1,558	105,484	Minsheng Bank Tower, No. 1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou, Henan Province
Changsha Branch	45	978	76,568	'Minsheng Tower, No. 189 Binjiang Road, Yuelu District, Changsha, Hunan Province
Changchun Branch	22	560	23,603	Minsheng Tower, No. 500 Changchun Street, Nanguan District, Changchun, Jilin Province
Hefei Branch	63	872	74,236	Yinbao Building, Intersection of Wuhu Xi Road and Jinzhai Road, Shushan District, Hefei, Anhui Province
Nanchang Branch	38	616	72,670	No. 545, Huizhan Road, Honggutan New District, Nanchang, Jiangxi Province
Shantou Branch	26	479	26,089	1-3/F, Huajing Plaza, No. 17 Hanjiang Road, Longhu District, Shantou, Guangdong Province
Nanning Branch	36	578	84,499	1-3/F, 3M/F, 30-31/F and 36/F, Block C, China Resources Building, No. 136-5 Minzu Avenue, Nanning, Guangxi Zhuang Autonomous Region
Hohhot Branch	20	431	25,696	China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chilechuan Avenue, Saihan District, Hohhot, Inner Mongolia Autonomous Region
Shenyang Branch	47	516	26,115	No. 65 Nanjing Bei Street, Heping District, Shenyang, Liaoning Province
Hong Kong Branch	1	262	170,512	3701-02, 3712-16, 37/F and 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Guiyang Branch	39	532	55,914	Block 8, Tianyi International Plaza, No. 33 Changling Nan Road, Gaoxin District, Guiyang, Guizhou Province
Haikou Branch	16	205	7,758	Zhonghuan International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou, Hainan Province

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Name of entity	Number of outlets	Headcount	Total assets (in RMB million, excluding deferred income tax assets)	Address
Lhasa Branch	4	166	6,108	Global Plaza, No. 8 Beijing Xi Road, Lhasa, Tibet Autonomous Region
Shanghai Pilot Free Trade Zone Branch	1	114	65,391	40/F and 41/F, No. 100 Pudong Nan Road, Pudong New Area, Shanghai
Harbin Branch	14	310	21,400	China Minsheng Bank, No. 11 Aijian Road, Daoli District, Harbin, Heilongjiang Province
Lanzhou Branch	11	275	17,087	1-4/F, Gansu Daily Press Plaza, No. 123 Baiyin Road, Chengguan District, Lanzhou, Gansu Province
Urumqi Branch	7	199	16,769	No. 314, Yangzijiang Road, Saybagh District, Urumqi, Xinjiang Autonomous Region
Xining Branch	3	141	8,143	1-4/F, Annex Building of Telecom Industrial Tower, No. 102 Kunlun Zhong Road, Chengzhong District, Xining, Qinghai Province
Yinchuan Branch	4	147	7,926	1-5/F, Block 19, Jinhaimingyue, No. 106 Shanghai Xi Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region
Inter-Region adjustment	–	—	-1,103,045	
Total	2,409	57,613	6,705,884	

Notes:

1. The number of institutions takes into account all types of banking outlets, including the Head Office, tier-one branches and business departments, business departments of tier-two branches, remote sub-branches, county-level sub-branches, intra-city sub-branches, community sub-branches, small-business special sub-branches and small-business sub-branches;

2. Headcount of the Head Office includes the total number of employees in the departments of the Head Office, Credit Card Centre and centralised operation, exclusive of employees of branches. Of which, the headcount of the Credit Card Centre was 8,355;

3. Inter-region adjustment arises from the reconciliation and elimination of inter-region balances.

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XIV. Incentive Share Option Scheme, Employee Share Ownership Scheme or Other Employee Incentive Measures and Their Implementations During the Reporting Period

Up to date, the Bank had no incentive share option scheme, employee share ownership scheme or other employee incentive measures.

XV. Communications with Shareholders

(I) Information disclosure

The Bank attached great importance to information disclosure and constantly enhanced the quality and efficiency of information disclosure through sound corporate governance and perfect information disclosure system. The Bank disclosed its information in strict compliance with the regulations of the domestic and overseas securities regulatory authorities, and published all sorts of regular reports and extraordinary announcements in accordance with laws to ensure equal access to information for all shareholders.

During the Reporting Period, the Bank published 4 regular reports and 76 extraordinary announcements on the SSE. The Bank also published 129 information disclosure documents in Chinese and English, including 56 overseas regulatory announcements on the SEHK. In compliance with the Hong Kong Listing Rules, the Bank has issued the Environmental, Social and Governance Report.

(II) Investor relations

The Bank highly values effective communications with investors (including potential investors) and strives to provide timely, comprehensive and adequate information and meet the demands of investors through multi-level communication channels.

In 2021, the Chairman, President and Senior Management energetically participated in all kinds of online and offline investor activities and carried out candid exchanges on the operation performance, development strategies and reform actions of the Bank and other issues of extensive concerns. They organised the 2020 results announcement conference, which was attended by 78 investors and analysts from domestic and foreign institutions; they participated in the 2020 performance briefing through the roadshow platform of the SSE, interacted with individual investors in real time and answered 83 questions; the investor exchange session was set in the 2020 annual general meeting, which was attended by 35 investors on site; they also participated in the 2021 Online Meeting Day for Investors of Listed Companies in Beijing (2021年北京轄區上市公司投資者網上集體接待日), and responded to 68 questions posed by investors.

The Bank actively organised and took part in communication activities in the capital market, fully revealed business trends of the Bank, gave direct response to market concerns and proactively delivered investment value. In the whole year, the Bank participated in 11 domestic and overseas investment banking strategy meetings, organised and hosted 32 research activities and communicated with a total of more than 300 investors and analysts.

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The Bank constantly enhanced the quality and efficiency of services for minority investors. It widely adopted the opinions and suggestions of investors and timely responded to the demands of investors. In this year, the Bank newly launched an investor hotline, received hundreds of calls from investors, replied to 245 messages through the E-Interaction platform of the SSE and handled hundreds of emails from investors.

The Bank received wide market recognition for its investor relation works. It was appraised as the "Best Listed Company in Investor Relations" under China Securities Golden Bauhinia Award and won the "Investor Relations Award" by the Hong Kong Investor Relations Association.

XVI. Amendments to Articles of Association in 2021

In accordance with relevant provisions of the Constitution of the Communist Party of China《中國共產黨章程》and the Company Law of the People's Republic of China《中華人民共和國公司法》, the Bank implemented the overall requirements and opinions on organic integration between the leadership of the Party and corporate governance, amended the corresponding provisions of the Articles of Association accordingly, and supplemented and improved important issues relevant to the institutional setting of Party organisation, basic guarantee, etc. The Resolution on Amending Certain Provisions of the Articles of Association of China Minsheng Banking Corp., Ltd.《關於修訂〈中國民生銀行股份有限公司章程〉部分條款的議案》was considered and approved at the 2020 annual general meeting of the Bank on 11 June 2021. For details of the amendments, please refer to the notice of the Shareholders' General Meeting, and the meeting documents and circulars of the meeting posted on the website of the Bank, the website of the SSE (on 24 April 2021 and 22 May 2021) and the HKEXnews website of the SEHK (on 23 April 2021 and 21 May 2021). As at the date of this report, the amended Articles of Association is still subject to approval by the CBIRC.

XVII. Continuous Professional Development Training of Directors

During the Reporting Period, every Director of the Bank abided by their obligations and duties as Directors and kept abreast of the business operation and development of the Bank. The Bank encouraged its Directors to take part in various continuous professional development programmes and the Directors have improved and enhanced their knowledge and expertise through the study of relevant publications. All Directors have participated in specific training and seminars organised by the Bank to study the Corporate Governance Standards for Banking and Insurance Institutions《銀行保險機構公司治理準則》, the Measures on the Regulatory Rating of Commercial Banks《商業銀行監管評級辦法》, the Measures on Performance Evaluation of Directors and Supervisors of Banking and Insurance Institutions (Trial)《銀行保險機構董事監事履職評價辦法(試行)》, and a series of regulatory systems, participated in important special training on anti-money laundering and green finance, studied and reviewed various special reports in relation to strategies, risks, and internal control and compliance, and listened to and discussed major matters in relation to the reform of the Bank to fully understand the reform and operation management of the Company. The Directors, GAO Yingxin, LU Zhiqiang, ZHENG Wanchun, WU Di, YANG Xiaoling, ZHAO Peng, LIU Jipeng, LI Hancheng, XIE Zhichun, PENG Xuefeng, LIU Ningyu, QU Xinjiu and YUAN Guijun, have participated in the directorship training programmes organised by regulatory institutions.

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XVIII. Training of Company Secretary

During the financial year ended 31 December 2021, BAI Dan and WONG Wai Yee, Ella, the Joint Company Secretaries, have both undertaken not less than 15 hours of relevant professional training programmes organised by the SSE, the SEHK and other professional institutions.

XIX. Contact with Company Secretary

During the Reporting Period, Ms. WONG Wai Yee, Ella from Tricor, the engaged service institution, has been engaged by the Bank as its Joint Company Secretary. Mr. WANG Honggang, the Representative of Securities Affairs of the Bank, has served as the primary contact person of the Bank.

XX. Compliance with the Corporate Governance Code Set Out in Appendix 14 to the Hong Kong Listing Rules

During the Reporting Period, the Bank has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and has complied with most of the recommended best practices contained therein.

XXI. Risk Management and Internal Control

The Board of Directors of the Bank is responsible for the establishment and improvement of effective risk management and internal control system, and supervises and evaluates the construction of internal control and risk management system as well as the risk level of the Bank (including the examination of the effectiveness). The system aims to provide reasonable (rather than absolute) assurance that there will not be material misrepresentation or loss, and to manage (rather than eliminate) the risk of failure to achieve business objectives. During the Reporting Period, the Board of Directors of the Bank has examined the adequacy and effectiveness of the Bank's risk management and internal control through its Risk Management Committee and Audit Committee. Upon receiving briefings on and reviewing the reports of the relevant special committees of the Board, the Board is of the view that the Bank's risk management and internal control are adequate and effective.

For details of the Bank's risk management, please refer to "XII. Risk Management" in "Chapter 3 Management Discussion and Analysis" of this report.

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XXII. Internal Control and Internal Audit

(I) Internal control evaluation

The Bank has set up a comprehensive corporate governance structure with clear division of responsibilities among the Board, the Board of Supervisors and the management team and maintained effective internal control management system. In compliance with the Law of the People's Republic of China on Commercial Banks《中華人民共和國商業銀行法》, Guidelines for Internal Control of Commercial Banks《商業銀行內部控制指引》, the Basic Standard for Corporate Internal Control《企業內部控制基本規範》and other laws and regulations and regulatory rules, the Bank has gradually formed a set of rational and comprehensive internal control policy systems and established internal control mechanisms for the prevention, control, subsequent supervision and rectification of risks.

The Bank gave full play to the role of internal audit in supervision and evaluation, constantly improved the evaluation and supervision system of internal control, optimised procedures and tools of internal control evaluation, improved the internal control system and enhanced refined internal control management. During the Reporting Period, in accordance with the principles of internal control evaluation and annual audit plan, the Bank conducted comprehensive inspection of internal control evaluation in 2021 on the subsidiaries including Minsheng Financial Leasing, seven tier-one branches including Beijing Branch, Shenzhen Branch, Lanzhou Branch, Hefei Branch, Shantou Branch, Nanchang Branch and Nanjing Branch, and 10 tier-two branches/remote sub-branches in Lianyungang, Shangrao, Luoyang, Weifang, Panjin, Anshan, Baotou, Yanbian, Jiangmen and Xiangtan, which covered key businesses and major risks. The Bank supervised the effective rectifications of internal control and risk-related issues through various measures, including daily monitoring, subsequent centralised audits and assessment on effectiveness of internal control. Accountabilities on the violations of regulations and disciplines found in the inspections were made according to the regulations of the Bank. Through constant internal control evaluations, the Bank effectively improved the internal control system and enhanced the internal control management.

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(II) Internal audit

The Bank has set up an internal audit organisation – the Audit Department, which adopted an independent internal audit model with a vertical management structure topped by the Head Office. The Bank has six regional audit centres in the North, East, South, Central, Northeast and West China. The Bank has set up the Corporate Banking Audit Centre, Retail Banking Audit Centre, Financial Markets Business Audit Centre, IT Audit Centre, Audit Centre for Group, Middle- and Back- Office, Comprehensive Risk Audit and Data Management Centre, Planning and Operation Management Centre and Evaluation and Supervision Centre according to the characteristics of specialised operation of the Bank. The Audit Department is responsible for performing independent inspection and evaluation on all businesses and management of the Bank, supervising and examining the effectiveness of internal control and carrying out independent and objective evaluation and consultation of internal control. To ensure the independence and effectiveness of the internal audit, material audit findings and internal control defects would be directly reported to the Board and notices would be given to the Senior Management. The Bank has formulated and improved standardised policies and systems for internal audit. An integrated audit examination system comprising on-site and off-site audit was established with off-site audit covering all asset and liability businesses of the Bank. Risk-oriented audit on internal control was adopted, covering all business lines including corporate banking, retail banking, financial markets, credit card, finance and accounting and risk management as well as all internal control management procedures. The Bank had principally achieved full coverage of audit on risk exposures in credit, market, liquidity, operation and compliance.

The Bank performed supervision and examination on the internal control of business units through various forms including comprehensive audits, special audits and economic accountability audits. During the Reporting Period, in accordance with the annual audit plan, the Audit Department efficiently completed the audit tasks for the whole year and carried out a total of 41 special audits, 18 audits on comprehensive internal control of business units and 198 economic accountability audits. It also issued 18 risk reminders and audit suggestions. Moreover, 27 reports concerning major events, updates and researches were issued. As a result, it gave full swing to the role of internal audit in supervision, evaluation and consultation. The problems identified in the audits were tracked and urged to be rectified by the audited units. All these efforts had notably improved the internal control and management of the Bank.

XXIII. Risk Management

By focusing on the improvement of risk management duty performance, the Board of the Bank established and continuously improved the list of duty performance for the Board and special committees, and strengthened lawful and compliant duty performance according to the latest regulatory requirements such as Guidelines on Macroprudential Policy (Trial) 《宏觀審慎政策指引(試行)》 issued by the PBOC and Corporate Governance Standards for Banking or Insurance Institutions 《銀行保險機構公司治理準則》 issued by the CBIRC as well as internal management needs of the Bank. It considered the statement of risk preference and risk strategies on a regular basis, paid attention to the key areas including risk management system optimisation, risk preference strategy formulation, system and procedure establishment and system and tool improvement, continuously improved the mechanism for identification, measurement, assessment,

monitoring, reporting, control and mitigation of various risks, and supervised the Senior Management to carry out comprehensive risk management, in a bid to achieve more proactive, scientific and forward-looking risk management. The Risk Management Committee was set under the Board, and please refer to "(IV) Risk Management Committee" of "VIII. Responsibilities of Corporate Governance and Special Committees of the Board of Directors" in this chapter for the details of its duties and duty performance.

XXIV. Management and Control of Subsidiaries During the Reporting Period

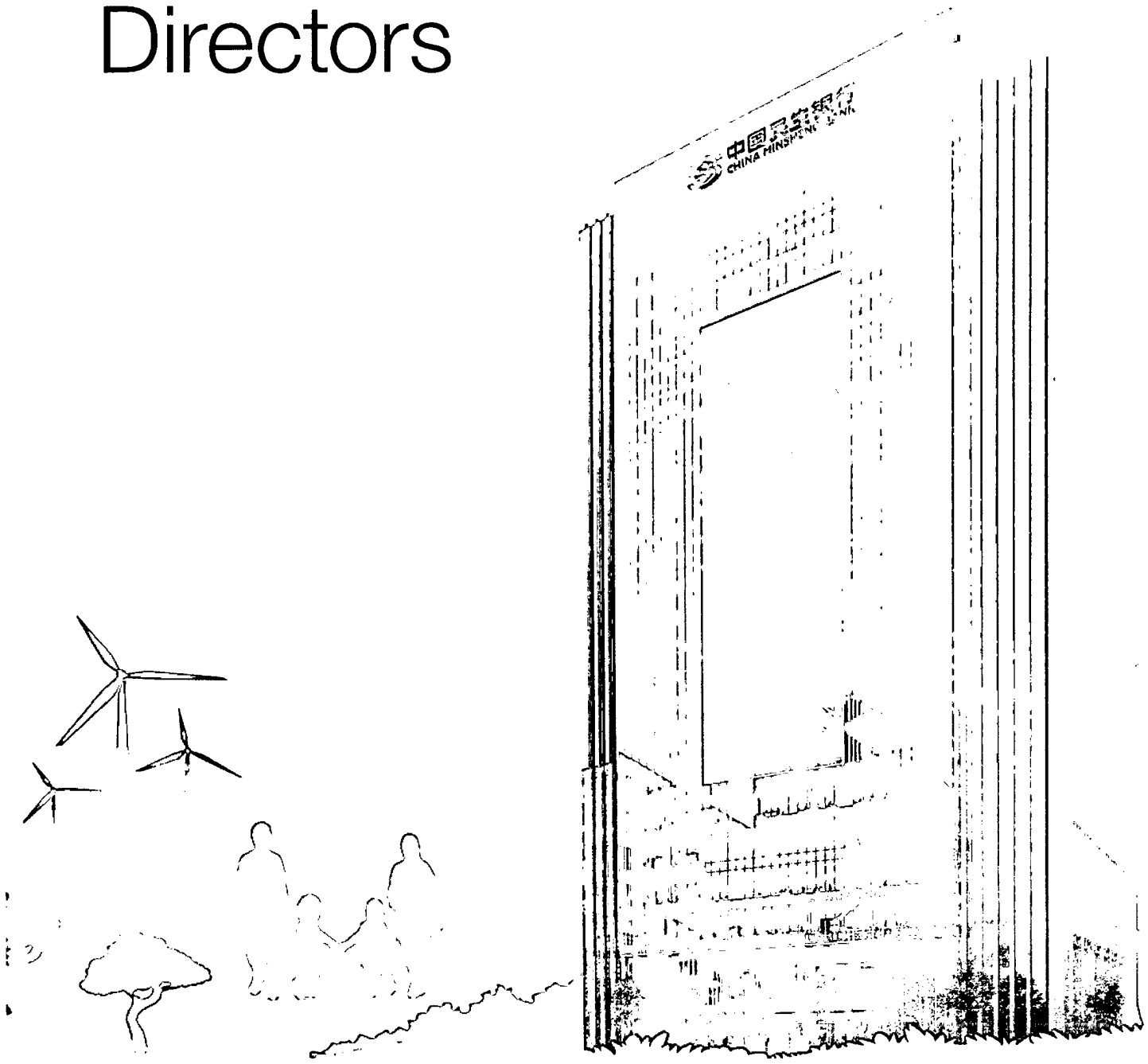
During the Reporting Period, through the shareholders' general meetings and appointed Directors and Supervisors, the Bank carried out control and management on three non-banking subsidiaries, i.e. Minsheng Financial Leasing, Minsheng Royal Fund and CMBC International, and incorporated corporate governance, business development, risk management, capital management and other work into the consolidated management system of the Group. The Bank unremittingly perfected the management model of non-banking subsidiaries, consolidated management foundation and strengthened the integrated business and management synergy of the Group in an effort to elevate the management capability and level of subsidiaries and offer diverse financial solutions to customers.

Minsheng rural banks (collectively referred to as "rural banks") are the 29 rural banks initiated and established by the Bank as a major promoter. During the Reporting Period, strictly in compliance with the regulatory requirements, the Bank performed its management duties as the major promoter in a lawful, compliant, solid and effective manner through the organisational structure for corporate governance of rural banks, namely "Shareholders' General Meeting, the board of directors, the board of supervisors and the senior management". It ceaselessly optimised the management system and mechanism of rural banks, reinforced the support and management for rural banks and motivated rural banks to hold onto the original positioning. The Bank also promoted the rural banks to improve Party building, corporate governance, business development, risk management, compliant operations and team building, and improved the functions of science and technology system of rural banks. Furthermore, the Bank pushed rural banks to accelerate the improvement of profitability, urged and helped key rural banks to speed up risk mitigation and assisted rural banks in pandemic prevention and control, so as to uplift the development quality and overall efficiency of rural banks.

XXV. Rectification on Problems Found in Self-inspection in Special Actions of Listed Company Governance

As required by the Beijing Office of the CSRC, in accordance with the list for special self-inspection on corporate governance, the Bank earnestly collated and identified existing problems, summarised corporate governance experience and completed special self-inspection and list information reporting. During the Reporting Period, according to the requirements of the self-inspection list, the Bank further improved corporate governance systems and rules and created a sound ecosystem, thereby smoothly completing the special action on corporate governance.

Report of the Board of Directors



CHAPTER 8 REPORT OF THE BOARD OF DIRECTORS

I. Performance of Principal Business, Financial Results and Business Development

For details of the principal business, key indicators and analysis of financial results and business development of the Bank, please refer to "Chapter 2 Summary of Accounting Data and Financial Indicators" and "Chapter 3 Management Discussion and Analysis" in this report.

II. Environmental Policy of the Bank and Its Performance

The Bank has published the "2021 Environmental, Social and Governance Report" in accordance with Rule 13.91 of the Hong Kong Listing Rules and the Environmental, Social and Governance Reporting Guide contained in Appendix 27 to the Hong Kong Listing Rules. Please refer to the website of the SSE, the HKEXnews website of the SEHK and the website of the Bank.

III. Compliance of Relevant Laws and Regulations

The Board is of the view that during the Reporting Period, the Bank legally operated its business, and its decision-making procedure was in compliance with relevant laws, regulations and the Articles of Association. It is not aware of any breach of laws and regulations and the Articles of Association of the Bank or any act which would prejudice the interests of the Bank and its shareholders by any existing Directors, Supervisors or Senior Management when performing their duties during the Reporting Period.

IV. Subsequent Events

Save as disclosed above, from the settlement date of the financial year to the date of this Report, the Bank had no material events.

V. Profit and Dividend Distribution

(I) Annual dividend distribution for 2020

The Bank distributed dividends to all shareholders according to the Profit Distribution Plan for 2020, which was discussed and passed at the 7th meeting of the eighth session of the Board and the 2020 Annual General Meeting. On the basis of the total share capital of the Bank as at the record dates, the Bank distributed a cash dividend for 2020 of RMB0.213 (tax inclusive) to all shareholders whose names appeared on the registers as at the record dates for every share being held. The total cash dividend amounted to RMB9,326 million. The cash dividend was denominated and declared in RMB and was paid in RMB to holders of A shares and in Hong Kong dollar to holders of H shares.

The Bank distributed the cash dividend to holders of A shares in June 2021 in accordance with relevant provisions, and distributed the cash dividend to holders of investors of Northbound Trading, holders of H shares and investors of Southbound Trading in July 2021 in accordance with relevant provisions. The implementation of the distribution plan was thus completed. For details, please refer to the announcement of the Bank dated 11 June 2021 published on the HKEXnews website of the SEHK and the announcements dated 12 June 2021 and 18 June 2021 published on the website of the SSE, respectively.

CHAPTER 8 REPORT OF THE BOARD OF DIRECTORS

(II) Annual profit distribution plan for 2021

According to the financial statements of the Bank for 2021, net profit of the Bank was RMB33,636 million. Dividend of perpetual bonds and domestic and offshore preference shares of RMB3,328 million was paid. 10% of the net profit of the Bank for 2021, being RMB3,364 million, was allocated to the statutory surplus reserve. The general provision for risks of RMB249 million was made on the rate of 1.5% of the balance of the risky assets of the Bank as at the end of 2021.

According to the Articles of Association of China Minsheng Banking Corp., Ltd. in respect of profit distribution, having considered various factors including the capital adequacy ratio required by the regulatory authorities and the sustainable business development of the Bank, the Bank proposed to distribute a cash dividend of RMB2.13 (tax inclusive) to holders of A shares and H shares whose names appear on the registers as at the record dates for every 10 Shares being held. Based on the number of shares of the Bank in issue, being 43,782 million shares, as at the end of 2021, the total cash dividend would be approximately RMB9,326 million.

The actual amount of total cash dividend to be paid will be subject to the total number of shares recorded on the register as at the record dates. The cash dividend will be denominated and declared in RMB, and will be paid in RMB to holders of A shares and in Hong Kong dollar to holders of H shares. The actual amount of dividend to be paid in Hong Kong dollar shall be calculated based on the benchmark exchange rate of RMB against Hong Kong dollar as quoted by the PBOC on the date of the general meeting.

The Independent Non-Executive Directors of the Bank are of the view that the profit distribution plan for 2021 of the Bank is in line with the actual condition of the Bank, in the interests of the Bank and its shareholders and in compliance with the relevant laws, regulations and the Articles of Association, and is favourable to the sustainable, stable and sound development of the Bank.

VI. Dividend Distribution of Ordinary Shares During the Past Three Years

	2021	2020	2019
Dividend to be paid for every 10 shares (tax inclusive, RMB)	**2.13**	2.13	3.70
Cash dividend (tax inclusive, RMB million)	**9,326**	9,326	16,199
Net profit attributable to holders of ordinary shares of the Bank (RMB million)	**31,053**	30,972	53,261
Cash dividend/Net profit attributable to holders of ordinary shares of the Bank (%)	**30.03**	30.11	30.42

Note: The profit distribution plan for 2021 is subject to the consideration and approval at the 2021 annual general meeting before implementation.

CHAPTER 8 REPORT OF THE BOARD OF DIRECTORS

VII. Formulation and Implementation of Dividend Distribution Policy for Ordinary Shares

According to Article 298 of the Articles of Association, the distribution of profits of the Bank emphasises on reasonable investment returns to investors and shall be sustainable and stable. The Bank shall distribute dividends in profit-making years. The Bank shall take full account of the opinions of the Independent Directors, External Supervisors and public investors in deliberating on its dividend distribution policy. The Bank shall fully consider the opinions and requests of the minority shareholders before the profit distribution policy is considered at the Shareholders' General Meeting. To the extent that the normal working capital requirement is fulfilled, the Bank shall distribute dividends primarily in cash.

The profit distributed to holders of ordinary shares in the form of cash dividend for each year shall not be less than 10% of the distributable profit attributable to holders of ordinary shares of the Bank of the year. The Bank may distribute interim cash dividend.

If the Bank generated profits in the previous accounting year but the Board did not make any cash profit distribution proposal after the end of the previous accounting year, the reasons thereof and the use of proceeds retained by the Bank not used for distribution shall be explained in detail in its periodic reports and the Independent Non-Executive Directors shall give an independent opinion in such regard. Online voting shall be made available, when such proposal is voted at a shareholders' general meeting.

In the event that adjustments are required to be made to the Bank's profit distribution policy due to the needs of operation and long-term development of the Bank, the profit distribution policy after adjustment shall not violate the relevant requirements of regulatory authorities of the places where the Bank is listed. Any proposal regarding adjustments to the profit distribution policy shall be subject to the prior review of the Independent Non-Executive Directors and the Board of Supervisors and due consideration of the opinions of minority shareholders and, after consideration by the Board, be proposed to the Shareholders' General Meeting of the Bank for approval. Any proposal regarding the adjustments to the Bank's cash dividend policy shall be approved by more than two-thirds of the votes of the shareholders attending the Shareholders' General Meeting of the Bank. Online voting shall be made available when such proposal is voted at a shareholders' general meeting. The voting results of the minority investors shall be disclosed separately.

During the Reporting Period, the profit distribution policy of the Bank complied with the Articles of Association and procedures of consideration. The policy, in the opinion of the Independent Directors, fully protected the legal interests of minority investors with clearly specified criteria and proportion of profit distribution.

CHAPTER 8 REPORT OF THE BOARD OF DIRECTORS

VIII. Taxes and Tax Exemption

The shareholders of the Bank shall pay relevant taxes in accordance with the following provisions as well as tax laws and regulations updated from time to time, enjoy possible tax exemption where appropriate, and shall consult their professional tax and legal advisors regarding specific tax payment matters. All the tax laws and regulations cited below were released prior to 31 December 2021.

(I) Holders of A shares

In accordance with the Notice on Issues Concerning the Implementation of Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies《關於實施上市公司股息紅利差別化個人所得税政策有關問題的通知》(Cai Shui [2012] No. 85) and the Notice on Issues Concerning Differentiated Individual Income Tax Policies on Dividends and Bonuses of Listed Companies《關於上市公司股息紅利差別化個人所得税政策有關問題的通知》(Cai Shui [2015] No. 101) jointly released by the Ministry of Finance, the State Administration of Taxation, and the CSRC, if a shareholder holds shares for more than 1 year, his or her dividends and bonuses shall be temporarily exempt from individual income tax; If the shareholder holds shares for more than 1 month to 1 year (inclusive), 50% of his or her dividends and bonuses shall be taxable income; If the shareholder holds shares for within 1 month (inclusive), all of his or her dividends and bonuses shall be taxable income. A tax rate of 20% applies to all the aforesaid incomes for levying individual income tax. Individual income tax shall be levied on dividends and bonuses of securities investment funds acquired from listed companies also in accordance with the aforesaid provisions.

In accordance with the provisions of Item 2 of Article 26 of the Enterprise Income Tax Law of the People's Republic of China《中華人民共和國企業所得税法》, dividends, bonuses and other equity investment income distributed between qualified resident enterprises shall be tax-free incomes.

In accordance with the provisions of Article 83 of the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China《中華人民共和國企業所得税法實施條例》, dividends, bonuses and other equity investment income generated between qualified resident enterprises as referred to in Item 2 of Article 26 of the Enterprise Income Tax Law of the People's Republic of China, refer to the income from investment made directly by one resident enterprise in another. The income from such equity investments as dividends and bonuses, as mentioned in Item 2 of Article 26 of the Enterprise Income Tax Law of the People's Republic of China, shall not include the investment income acquired by continuously holding the listed common share of the resident enterprise for less than 12 months.

In accordance with the provisions of the Enterprise Income Tax Law of the People's Republic of China and the regulation on its Implementation, enterprise income tax shall be levied on dividends acquired by shareholders of non-resident enterprises at a rate of 10%.

CHAPTER 8 REPORT OF THE BOARD OF DIRECTORS

(II) Holders of H shares

In accordance with the Notice on Issues Concerning the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No.045 《關於國税發(1993)045號文件廢止後有關個人所得税徵管問題的通知》 (Guo Shui Han [2011] No. 348), individual income tax shall be withheld at the rate of 10% on the dividends distributed to offshore individual resident shareholders by a domestic enterprise with no foreign investment issuing shares in Hong Kong. Offshore individual resident shareholders may enjoy relevant tax preference in accordance with the provisions of the tax agreement signed between the home country of their identity and China as well as the tax arrangements between the Chinese Mainland and Hong Kong (Macau). Regarding the matters in connection with distribution of dividends to individual holders of H shares whose names appeared on the register of holders of H shares on the record date of dividend distribution, the Bank shall withhold and pay individual income tax at the rate of 10%, unless otherwise provided by tax laws and regulations as well as relevant tax agreements.

In accordance with the provisions of the Enterprise Income Tax Law of the People's Republic of China and the regulation on its Implementation, the withholding agent shall withhold and pay enterprise income tax at the rate of 10% on the income of a non-resident enterprise acquired from the Chinese mainland. Therefore, any H shares registered in the name of non-individual enterprises, including HKSCC Nominees Limited (香港中央結算(代理人)有限公司), other proxies or trustees or other organisations and groups, shall be deemed the shares held by shareholders of non-resident enterprise, and the Bank shall withhold and pay enterprise income tax at the rate of 10% when distributing dividends to the shareholders.

In accordance with the current practice of the Inland Revenue Department, there is no need to pay tax in Hong Kong on the H-share dividends distributed by the Bank.

The tax matters regarding Shanghai-Hong Kong Stock Connect (滬港通) shall be undertaken in accordance with the provisions of the Notice on Taxation Policies Concerning the Pilot Programme of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (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税收政策的通知(財税〔2014〕81號)》 jointly released by the Ministry of Finance, the State Administration of Taxation, and the CSRC.

The tax matters regarding Shenzhen-Hong Kong Stock Connect (深港通) shall be undertaken in accordance with the provisions of the Notice on Taxation Policies Concerning the Pilot Programme of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) 《關於深港股票市場交易互聯互通機制試點有關税收政策的通知(財税〔2016〕127號)》 jointly released by the Ministry of Finance, the State Administration of Taxation, and the CSRC.

(III) Holders of domestic preference shares

The matters regarding payment of individual income tax on individually acquired dividends from non-publicly issued domestic preference shares shall be undertaken in accordance with relevant tax laws and regulations of China.

CHAPTER 8 REPORT OF THE BOARD OF DIRECTORS

The resident enterprise shareholders (including institutional investors) as stipulated by the Enterprise Income Tax Law of the People's Republic of China shall pay tax on their income from cash dividends on their own; other shareholders shall pay tax on their income from cash dividends in compliance with relevant provisions.

In accordance with the Guiding Opinions of the State Council on Conducting Pilot Programme on Preference Shares《國務院關於開展優先股試點的指導意見》, the dividends, bonuses, and other investment income that an enterprise acquires by investing in preference shares and that meets conditions as stipulated by the tax laws can be tax-free enterprise incomes.

(IV) Holders of offshore preference shares

In accordance with the tax laws and regulations of China, the Bank shall generally withhold and pay enterprise income tax at the rate of 10% when distributing dividends from offshore preference shares to offshore non-resident enterprises.

In accordance with the current practice of the Inland Revenue Department, there is no need to pay tax in Hong Kong on the dividends from offshore preference shares distributed by the Bank.

IX. Substantial Shareholders

For details of substantial shareholders of the Bank, please refer to "Chapter 4 Changes in Share Capital and Information on Shareholders" in this report.

X. Share Capital and Issuance of Shares and Bonds

For details of share capital and issuance of shares and bonds of the Bank as at 31 December 2021, please refer to "Chapter 4 Changes in Share Capital and Information on Shareholders", "Chapter 5 Information on Preference Shares" and "Chapter 6 Issuance of Bonds" in this report.

XI. Auditing Opinions Issued by the Accounting Firm

The 2021 annual financial statements prepared in accordance with the IFRS of the Bank had been audited by PricewaterhouseCoopers, and the standard and unqualified auditors' report had been issued accordingly.

XII. Pre-Emptive Rights

Pre-Emptive rights are not prescribed in the Company Law of the People's Republic of China《中華人民共和國公司法》and the Articles of Association, and the Bank is not required by the above provisions to issue new shares to the current shareholders based on the holding proportion of the shareholders. In accordance with Article 31 of the Articles of Association, the Bank may increase its capital by public offering of ordinary shares, issuance of ordinary shares to its existing shareholders, distribution of new ordinary shares to its existing shareholders, private placing of ordinary shares, conversion of preference shares to ordinary shares, and any other methods permitted by the applicable laws and administrative regulations. There is no compulsory rule in relation to pre-emptive rights in the Articles of Association.

CHAPTER 8 REPORT OF THE BOARD OF DIRECTORS

XIII. Charity and Other Donations

During the Reporting Period, the total amount of charitable donations of the Group was RMB106 million.

XIV. Directors, Supervisors and Senior Management

For details of the name list, profiles, contract arrangements and remunerations of Directors, Supervisors and Senior Management of the Bank, please refer to "Chapter 7 Corporate Governance" in this report. As at the date of the publication of this Annual Report, the directorship qualification of Mr. WENG Zhenjie is subject to the approval of the regulatory authorities of the banking industry in China.

Details of retirement benefits provided by the Bank to its employees during the Reporting Period are set out in Note 4.31 to the Financial Statements.

XV. Contracts of Management and Administrative Management

During the Reporting Period, the Bank did not enter into any administrative management contract relating to overall businesses or major businesses of the Bank.

XVI. Indemnity and Insurance of Directors, Supervisors and Senior Management

During the Reporting Period, the Bank has maintained effective liability insurance for the Directors, Supervisors and Senior Management in respect of potential legal proceedings arising from the business operation of the Bank.

XVII. Relationship with Customers and Employees

The Group considers that it is important to maintain good relationship with its customers and strives to provide more efficient and convenient services to customers so as to maximise the value and return. In 2021, there were no significant or material disputes between the Group and its customers.

For details of the relationship between the Bank and its employees, please refer to 2021 Social Responsibility Report《2021年度社會責任報告》and 2021 Environmental, Social and Governance Report《2021年度環境、社會及管治報告》.

CHAPTER 8 REPORT OF THE BOARD OF DIRECTORS

XVIII. Consumer Rights Protection

During the Reporting Period, the Bank implemented the "customer-centric" philosophy and performed its duty in consumer rights protection in full compliance with the regulatory requirements. The Bank insisted on planning guidance, optimised systems and mechanisms, strengthened complaint management and enriched internal publicity and external education, in a bid to continuously consolidate the achievements in consumer rights protection. The Bank formulated the Five-Year Development Plan of China Minsheng Bank on Consumer Rights Protection (2021-2025) 《中國民生銀行消費者權益保護五年發展規劃(2021-2025)》 to clarify strategic goals and crucial measures on consumer rights protection. It added/revised multiple fundamental systems concerning consumer financial information protection, product and service information disclosure, product and service marketing publicity, consumer rights protection review, consumer rights protection appraisal, education & publicity and other fields, to further improve the refined management. By strengthening management synergy, the functional departments and business departments of consumer rights protection jointly promoted the implementation of consumer rights protection in key areas, optimised financial products and enhanced service capability. The Bank conducted all-round, segmented and multi-field training on consumer rights protection to convey the ideas and requirements of consumer rights protection to all types of employees. In addition, it actively conducted intensive education and publicity activities, enriched regular publicity activities, launched "special column of consumer rights protection" on the official website and WeChat official account and built "online + offline" and "centralised + localised" financial publicity network, so as to enhance the depth and breadth of education and publicity.

The Bank continuously optimised the complaint handling process to improve the efficiency of complaint response and handling; optimised the mechanism for coordinated resolution of complaints to strengthen source-tracing and rectification and promote the resolutions of complicated complaints. It also perfected the mechanism for diversified settlement of disputes to enhance its ability to settle financial disputes and improve the quality and efficiency of compliant handling and customer satisfaction. In 2021, the Bank handled a total of 63,643 complaints from financial consumers. In terms of business distribution, the complaints were concentrated on credit card (63.93%), debit card (17.86%), loan (7.66%) and other business areas; in terms of geographic distribution, the complaints were concentrated in Beijing (70.25%, including the complaints about Credit Card Centre), Guangdong (2.86%) and Shenzhen (2.78%). The Bank will continue to improve products and optimise services according to customer complaints so as to effectively safeguard the legitimate rights and interests of consumers.

CHAPTER 8 REPORT OF THE BOARD OF DIRECTORS

XIX. Evaluation on the Implementation of Administrative Rules for Information Disclosure by the Board of Directors

On 30 July 2021, the 11th meeting of the eighth session of the Board of Directors discussed and passed the Proposal on Amending the Administrative Rules for Information Disclosure of China Minsheng Banking Corp., Ltd. 《關於修訂<中國民生銀行股份有限公司信息披露事務管理制度>的議案》 and the Proposal on Amending the Administrative Rules for Insiders of China Minsheng Banking Corp., Ltd. 《關於修訂<中國民生銀行股份有限公司內幕信息知情人管理制度>的議案》 to further perfect the administrative rules and systems for information disclosure of the Bank. During the Reporting Period, the Bank, in compliance with the regulatory requirements, performed the obligation of information disclosure, meticulously implemented administrative rules for information disclosure and disclose true, accurate and complete information in a timely and fair manner.

By Order of the Board of Directors
GAO Yingxin
Chairman
29 March 2022

Report of the Board of Supervisors



CHAPTER 9 REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, based on the duties and functions conferred by the Company Law of the People's Republic of China, the Articles of Association and the regulatory provisions, the Board of Supervisors continuously strengthened self-building, refined rules and systems, innovated supervision methods and improved supervision effectiveness. Moreover, it established and improved the three-in-one supervision operation mechanism featuring "daily real-time supervision, annual intensive supervision and annual performance evaluation" to push forward the corporate governance to a higher level.

Following the requirements of the policies issued by the CPC Central Committee, the State Council and the regulatory authorities, the Board of Supervisors constantly strengthened supervision on development strategies, operation decisions, financial management, risk management, internal control and compliance and other key areas. It revised performance evaluation methods, optimised performance evaluation systems and improved performance evaluation plans to carefully and solidly evaluate the performance of the Board of Directors and Senior Management. It also moved the supervision function forward, organised Directors to attend the meetings of the Board of Directors and its special committees, expressed independent opinions on write-offs of bad loans, accountability for violation of regulations, compliance culture, problem rectification and other major events. What's more, it carried out in-depth research on key areas and key regions and put forward supervisory opinions and recommendations to improve supervision effectiveness.

During the Reporting Period, a total of 21 meetings, including six meetings of the Board of Supervisors, three meetings of the Nomination and Examination Committee and 12 meetings of the Supervisory Committee, were convened by the Board of Supervisors and its special committees according to the regulatory requirements and needs for duty performance. A total of 101 proposals were considered and reviewed, and 53 important documents and matters were conveyed, learned and reported. The Board of Supervisors laid emphasis on improving supervision effectiveness of meetings, and timely collated the supervisory opinions and recommendations proposed at the meetings and formulated implementation plans item by item. It further informed the Board of Directors and Senior Management of supervisory opinions through supervisory notices and supervision inspection reports and other forms.

The Board of Supervisors insisted on the combination of problem-oriented and result-oriented principles, established and perfected the closed-loop of supervision, strengthened the verification and application of supervision results and evaluated the progress and effectiveness of implementation of supervisory opinions on a regular basis. 45 supervisory notices, 10 summaries of supervision work and 2 comparative analysis on other banks and financial institutions and indicator supervision reports were published in the year. As a result, the Board of Supervisors achieved effective supervision on key issues and helped improve the reasonableness, robustness and sustainability of reform and development of the Bank.

Independent Opinions of the Board of Supervisors:

I. Law-abiding Operation of the Company

During the Reporting Period, the Bank maintained law-abiding operation and decision-making procedures were in compliance with the applicable laws, regulations and the Articles of Association. There was no breach of the applicable laws and regulations and the Articles of Association or any act which would harm the interests of the Bank and its shareholders by any Directors or Senior Management in performing their duties.

CHAPTER 9 REPORT OF THE BOARD OF SUPERVISORS

II. Authenticity of the Financial Statements

The annual financial statements of the Bank have been audited by PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers in accordance with the CAS and the ISAs, respectively. Standard and unqualified auditors' reports have been issued accordingly. The financial statements of the Bank for the year truthfully, accurately and completely reflected the Bank's financial position and business performance.

III. Use of Proceeds from Fund-Raising Activities

During the Reporting Period, the use of proceeds from fund-raising activities was consistent with the use of proceeds stated in the prospectus of the Bank.

IV. Acquisition and Disposal of Assets

During the Reporting Period, as far as the Board of Supervisors was aware, there was no acquisition and disposal of assets of the Bank that involved insider transaction, would harm the interests of shareholders or resulted in any loss of assets of the Bank.

V. Related Party Transactions

During the Reporting Period, the management of related party transactions was in compliance with the relevant national laws, regulations and the Articles of Association. There was no act which would harm the interests of the Bank and its shareholders.

VI. Implementation of Resolutions Approved at Shareholders' General Meetings

The Board of Supervisors raised no objection to the reports and proposals submitted by the Board to the shareholders' general meetings for consideration and approval in 2021 and supervised the implementation of the resolutions approved at general meetings. The Board of Supervisors is convinced that the Board implemented the resolutions in real earnest.

VII. Internal Control

The Bank continued to strengthen and improve its internal control. The Board of Supervisors raised no objection to the Evaluation Report on Internal Control for 2021 《2021年度內部控制評價報告》. During the Reporting Period, no material deficiencies were found in respect of the completeness, reasonableness and effectiveness of the internal control mechanism and system of the Bank.

VIII. Implementation of Information Disclosure

During the Reporting Period, the Board of Supervisors raised no objection to the implementation of information disclosure of the Bank. The Bank earnestly implemented the administrative rules for information disclosure and performed the obligation of information disclosure. No violation of laws and regulations was found in connection with information disclosure.



By Order of the Board of Supervisors
ZHANG Juntong
Chairman of the Board of Supervisors
29 March 2022

CHAPTER 10 ESG GOVERNANCE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

In 2021, the Bank continued to perfect its ESG governance structure, improve ESG management level, proactively fulfill its environmental and social responsibilities, accelerate the development of inclusive finance, upgrade services for green finance, and support rural revitalisation as well as charity and public welfare, so as to achieve high-quality and sustainable development and contribute to economic and social development.

For details of the performance of social responsibilities and ESG, please refer to 2021 Social Responsibility Report《2021年度社會責任報告》and 2021 Environmental, Social and Governance Report《2021年度環境、社會及管治報告》of the Bank.

I. ESG Governance

The Board of the Bank comprehensively supervised the implementation of ESG policies and plans to ensure the improvement of sustainable development capacity. It guided and supervised the Management to carry out the work related to ESG by regularly reviewing ESG reports and discussing ESG matters. The Strategic Development and Consumer Rights Protection Committee of the Board took charge of considering economic, environmental and social public welfare issues, providing professional opinions and suggestions to the Board, following regularly the implementation of policies and plans, supervising the implementation effects, and assisting the Board in supervising the senior management team to carry out ESG-related work.

The Bank continuously improved the ESG working mechanism to ensure that ESG risks related to each business were properly managed and ESG responsibilities were effectively fulfilled. The Bank established a three-level working mechanism including the "decision-making team, management team and implementation team", set up an ESG leading group with the Chairman of the Board as the group leader and the President as the deputy group leader, and established an ESG working group composed of relevant departments. By doing so, the ESG work was managed and organised from three aspects of overall planning, coordinated promotion and implementation.

During the Reporting Period, the Board considered and approved the 2020 Environmental, Social and Governance Report of China Minsheng Bank《中國民生銀行2020年度環境、社會及管治報告》, which confirmed major issues, risk analysis and management strategies regarding the ESG. The Board, on the basis of fully understanding the results and progress of ESG work, took the global best practices of other banks as the objectives of ESG work, and worked with the senior management team to carry out targeted improvement in key areas of ESG including financing environment impact, consumer rights protection, financial services availability, business ethics, etc. The Board also considered and approved the Five-Year Development Plan for Green Finance of China Minsheng Bank (2021-2025)《中國民生銀行綠色金融五年發展規劃(2021-2025)》, the Five-Year Development Plan for Consumer Rights Protection of China Minsheng Bank (2021-2025)《中國民生銀行消費者權益保護五年發展規劃(2021-2025)》, and the Five-Year Development Plan for Inclusive Finance of China Minsheng Bank (2021-2025)《中國民生銀行普惠金融五年發展規劃(2021-2025)》to continuously improve ESG performance.

CHAPTER 10 ESG GOVERNANCE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The Bank actively communicated with the stakeholders. By establishing a long-term communication mechanism, it timely understood the demands of stakeholders and actively responded to such demands. The ESG issues to which the stakeholders paid close attention were taken as the direction of actions and reference for information disclosure of the Bank. During the Reporting Period, to have an in-depth and comprehensive understanding of the evaluation and feedback of internal and external stakeholders regarding the importance of ESG issues, the Bank conducted a special questionnaire survey of the shareholders and institutional investors, customers, suppliers and employees. It invited the survey participants to evaluate the importance of ESG issues of the Company from their own perspective, and on the basis of investigation, conducted material issues analysis and importance evaluation. These initiatives provided help and guidance for the Company's ESG management and disclosure.

II. Performance of Environmental Responsibilities

The Bank paid high attention to environmental protection and climate change, took the initiative to recognise the risks and opportunities of "carbon peak and carbon neutral" for the Company, insisted on green development strategy, and constantly improved the green finance system. The philosophy of environmental protection and low carbon ran through the procurement and operation process of the Company so that the carbon footprint during operation was continuously reduced and the construction of ecological civilisation was further promoted.

The Bank responded to climate change with green finance. The Bank actively promoted the deployment of green finance, improved its product system and service model, restricted the credit granting to industries with high pollution and high energy consumption, and accelerated the exit of enterprises with outdated production capacity. During the Reporting Period, focusing on energy conservation and emission reduction, clean energy, carbon trading, low-carbon technologies, green life, etc., the Bank built a green finance ecosystem covering trading platforms, industry associations, government authorities and core enterprises, upgraded the system of green financial products, and continued to increase strategic input. As at the end of the Reporting Period, the balance of green credit amounted to RMB107.317 billion, representing an increase of RMB54.648 billion, or 103.76%, as compared with the end of the previous year.

The Bank facilitated" carbon peak and carbon neutral" goals with green operation. Aiming to build "an agile and efficient digital bank with ultimate customer experience and increasing value", the Bank comprehensively advanced the development of a green operation system, vigorously constructed the eco-bank and smart bank, continued to iterate online financial platforms and made innovations in online products. During the Reporting Period, the Bank launched products such as mobile banking 6.0, keyboard banking and open banking to provide customers with more efficient and convenient services.

CHAPTER 10 ESG GOVERNANCE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The Bank practised the philosophy of environmental protection with green office. The Bank thoroughly implemented the philosophy of green, energy conservation and environmental protection in the construction process of workplaces and business outlets to reduce the consumption of energy and resources and the discharge of greenhouse gases, waste water, household wastes and hazardous wastes. During the Reporting Period, the Bank established an energy management system and strengthened energy conservation management and energy conservation technology transformation to improve effects of energy conservation and emission reduction. The Bank strongly encouraged its employees to practise a green and environment-friendly lifestyle, and encouraged its suppliers to incorporate the requirements of environmental protection, energy conservation and consumption reduction into their management systems so as to enable suppliers to improve their environmental performance. At the same time, the Bank fully implemented the strategic positioning of "an agile and open bank". For instance, it encouraged flexible work schedule and actively promoted cloud-based conference and video conference. During the Reporting Period, a total of 933 video conferences and 5,972 cloud-based conferences were held.

III. Performance of Social Responsibilities

The Bank stuck to closely integrating its own development with social progress and promoted the inclusion of ESG-related philosophy into business development, customer service, rural revitalisation, charity and public welfare so as to promote the sustainable development of the Company.

The Bank served the NSOEs and small and micro enterprises with financial loans. Focusing on the strategic positioning of "a bank for the NSOEs", the Bank gave full play to its advantages of serving NSOEs and small and micro enterprises, and provided financial support for the development of real economy. During the Reporting Period, the Bank made continuous innovations in products and services, provided differentiated financial services for segmented customer groups based on customer needs, and built a new service ecosystem featuring openness, cooperation and win-win situation. The Bank actively promoted digital transformation and online inclusive finance, built "Minsheng Small Business (民生小微)" APP platform and product, and improved the quality and efficiency of serving the small and micro enterprises. During the Reporting Period, the balance of inclusive small business loans amounted to RMB504.815 billion, representing an increase of 12.59%, which signified high-quality development of inclusive finance and contribution to common prosperity.

The Bank provided excellent services based on the value of "customer first". By upholding the value of "customer first-integrity, innovation, efficiency, win-win, and stability", the Bank continuously strengthened the protection of consumer rights. It adhered to the guidance by plans, optimised systems and mechanisms, strengthened complaint management, and enriched internal publicity and external education to continuously enhance the effectiveness of the consumer rights protection. The Bank also established and implemented the complaint monitoring and analysis mechanism to improve the complaint management capacity, and perfected the complaint assessment index system and promoted the development of complaint system to further improve consumer satisfaction, thereby enhancing customer experience with excellent services.

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The Bank facilitated common prosperity by promoting rural revitalisation. The Bank consciously integrated itself into the national strategy to financially support rural revitalisation. By innovating the products and models such as "Photovoltaic Loan (光伏貸)", "Agricultural Loan Express (農貸通)" and "E-Grain Finance (糧融e)", the Bank increased the financial support. As at the end of the Reporting Period, the balance of loans to areas lifted out of poverty amounted to RMB40.88 billion, representing an increase of RMB5.91 billion, or 16.9%, as compared with the end of the previous year. The Bank continued to strengthen the paired assistance in Hua County and Fengqiu County in Henan Province, established an assistance system of "one branch supports one township (一行興一鄉)", and formed an all-round and three-dimensional coordination situation. During the Reporting Period, the Bank provided free assistance funds of RMB36.03 million for these two counties, introduced free assistance funds of RMB32.15 million, trained 2,563 primary-level cadres, 836 leaders in getting rich and 18,969 technical personnel, directly purchased agricultural products worth RMB30.24 million from areas lifted out of poverty and helped sell agricultural products from areas lifted out of poverty with the sales of 15.9 million. Assistance to Hezheng County and Lintao County in Gansu Province had lasted for six consecutive years. During the Reporting Period, investment funds of RMB3.7 million were provided, and the achievements of poverty alleviation were consolidated through education support, consumption assistance, Party building pairings, etc.

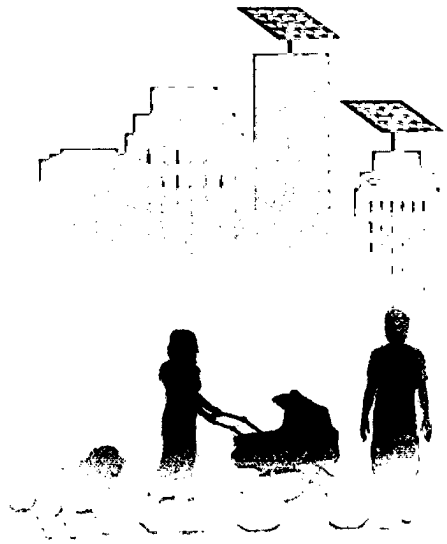
The Bank demonstrated the warmth of Minsheng through charity and public welfare. Adhering to the philosophy of sharing development results with the society, the Bank continued to optimise its public welfare management mechanism and revised the Administrative Measures on Public Welfare Funds of China Minsheng Bank《中國民生銀行公益基金管理辦法》. The Bank donated RMB14.7 million and organised the seventh session of the "Power of Minsheng's Love – ME Charity Innovation Funding Scheme (我決定民生愛的力量--ME創新資助計劃)" to provide financial support for 26 innovation projects dedicated to rural revitalisation, community development, education support, health and well-being, ecological civilisation and other areas. The Bank has carried out the "Medical Care Programme for Children with Congenital Heart Disease" for nine consecutive years. It donated RMB5 million for free treatment of children with congenital heart disease in South Xinjiang. This move represented Minsheng's contribution to ethnic unity and social harmony and stability. The Bank has supported the "AIDS Prevention and Control Programme" of China Red Ribbon Foundation for thirteen consecutive years. It donated RMB4 million to carry out the programme of "AIDS Prevention and Control in Liangshan Yi Autonomous Prefecture", and jointly held the campus scene play exhibition themed "Fight Against COVID-19 and AIDS Together, Share the Health Responsibilities" with this foundation. The Bank also focused on the biodiversity conservation. It cooperated with the public welfare organisation Nature Guardian Wildlife Conservation and Development Research Centre to support the programme of "Patrol Growth Plan-Biodiversity Conservation" initiated by the Yunnan Youth Development Foundation, which solved the problems in biodiversity conservation, including insufficient patrols in nature reserves, lack of professionalism, imperfect echelons of experienced and new patrols, etc.

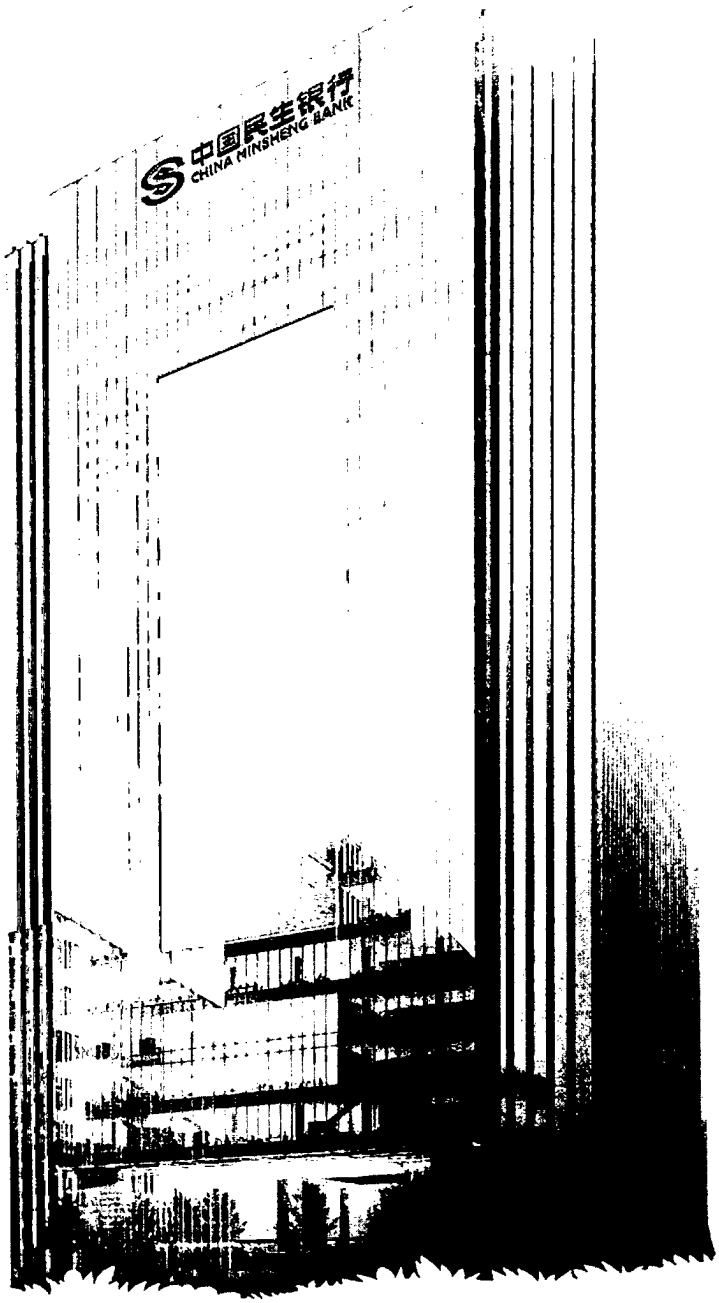
CHAPTER 10 ESG GOVERNANCE, ENVIRONMENTAL AND SOCIAL RESPONSIBILITIES

The Bank served the society with art in the form of cultural public welfare. The art institutions sponsored and operated by the Bank played an effective role in social public service through communication and cooperation with the government and commonweal organisations. Seven key exhibitions including "Tadao Ando·Youth" and "Urban Spectacles" as well as 127 public education sessions were organised during the year with 500.0 thousand participants. These activities were widely appreciated by the society and greatly contributed to public education and international cultural exchange. Beijing Minsheng Art Museum was rated as the 4A social organisation in Beijing and non-state-owned excellent museum of Chaoyang District in 2021, and was recommended as the unit of tourism reception window during the Beijing 2022 Olympic Winter Games by Chaoyang District Bureau of Culture and Tourism. Shanghai Minsheng Art Museum was awarded the "demonstration site" of culture and art experience base for Shanghai citizens' lifelong learning in 2021.

The ESG practices of the Bank were highly recognised by various third parties such as government authorities, commonweal organisations and mainstream media. The Bank won a range of honours such as No. 1 in the banking industry in "Social Responsibility Development Index of Chinese Enterprises (中國企業社會責任發展指數)" by Chinese Academy of Social Sciences and the "Responsibility Golden Bull Award (責任金牛獎)" at China Social Responsibility 100 Forum. Poverty alleviation cadres of the Bank were awarded the title of "National Advanced Individual for Poverty Alleviation (全國脱貧攻堅先進個人)". The case of the Bank was selected into the "Excellent Cases of Briefing on Targeted Financial Assistance for Rural Revitalisation《金融定點幫扶鄉村振興簡報》優秀案例)" by the PBOC. The project case of "Power of Minsheng's Love – ME Charity Innovation Funding Scheme (我決定民生愛的力量--ME創新資助計劃)" was selected among the "Top Ten Public Welfare Projects (十大公益項目)" in the Blue Book for Corporate Public Welfare 2021《企業公益藍皮書2021》. The 2020 Social Responsibility Report《2020年度社會責任報告》was awarded the "Excellent Social Responsibility Report of the Year by China Banking and Insurance News".

Major Events





CHAPTER 11 MAJOR EVENTS

I. Material Litigation and Arbitration

During the Reporting Period, the Bank had no litigation or arbitration proceeding that had significant impact on its operations. As at the end of the Reporting Period, there were 2,460 pending litigations with disputed amounts of over RMB1 million involving the Bank as plaintiff for approximately RMB43,832.74 million and 170 pending litigations involving the Bank as defendant for approximately RMB4,140.07 million.

II. Purchase and Disposal of Assets and Mergers and Acquisitions

The Bank has strictly complied with the Articles of Association, the Basic Accounting Rules《基本財務規則》and the Administrative Measures on Fixed Assets《固定資產管理辦法》of the Bank. The Bank has made arrangements for writing off residual value and account treatment of fixed assets that satisfied the conditions for disposal. The shareholders' interest has not been prejudiced and the Bank has not experienced any loss of assets.

III. Material Contracts and Their Performances

The Bank participated in and won the bid for the land use right of Plot Z4 at Core Area of Beijing CBD in East Third Ring Road, Chaoyang District, Beijing. The integrated construction of soil protection and foundation engineering on the sixth construction site where the project is located has commenced.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot 2012-8 on the north of Headquarters Economic Zone in Donghai Sub-District, Quanzhou. The construction commenced in May 2016. The construction of major structure and roof were completed. The construction of facade, the installation of mechanical and electrical equipment, fire engineering, elevator engineering and renovation of public facilities are in progress.

The Bank participated in and won the bid for the land use right of Plot G at the Strait Financial Business District on the south of Aofeng Road and the east of Aofeng Side Road in Taijiang District, Fuzhou. The land handover was completed with Fuzhou Land Development Centre (福州市土地發展中心) in August 2018. The project was approved by the Board on 23 September 2020. The approval procedures of pile foundation construction permit were completed on 25 September 2020. The Bank signed the contract with entrusted construction firms in May 2021, and the construction management work is being carried out pursuant to the entrusted construction management model. Currently, the pile foundation construction permit has been obtained and pile foundation construction is in progress.

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The Phase I of Shunyi Headquarters in Beijing has been accepted for completion and put into operation. The settlement and auditing of the construction have been completed and the transfer of entitlement is in progress. As at the end of the Reporting Period, the determination of land premium had been completed. The Phase II of Shunyi Headquarters in Beijing was granted the Project Filing Certificate of Beijing Non-Governmental Investment in Industrial and IT Fixed Assets (Shun Jing Xin Bei [2019] No. 0008) (《北京市非政府投資工業和信息化固定資產投資項目備案證明》(順經信備〔2019〕0008號)) on 14 May 2019, the Letter of Preliminary Review Opinions on "Plan Integration" Synergetic Platform of Shunyi Phase II Cloud Computing Centre of China Minsheng Bank (Jing Gui Zi (Shun) Chu Shen [2019] No. 0002) (《關於民生銀行順義二期雲計算數據中心項目"多規合一"協同平台初審意見的函》(京規自(順)初審〔2019〕0002號)) on 11 June 2019, and the Review Opinions on Energy Conservation of Shunyi Headquarters Phase II Cloud Computing Centre of China Minsheng Bank of the Development and Reform Commission of Beijing Municipality (Jing Fa Gai Neng Ping [2020] No. 8) (《北京市發展改革委員會關於中國民生銀行順義總部基地二期雲計算數據中心項目的節能審查意見》(京發改能評〔2020〕8號)) on 17 March 2020. The preliminary design was completed in April 2020. The project was granted the Letter of Consolidated Consulting Opinions on "Plan Integration" Synergetic Platform of Headquarters Phase II Cloud Computing Centre (《關於總部基地二期雲計算數據中心項目"多規合一"協同平台綜合會商意見的函》) on 15 May 2020 and the Planning Permit on Construction Project (2020 Gui Zi Shun Jian Zi No. 0032) (《建設工程規劃許可證》(2020規自順建字0032號)) on 17 July 2020. The general investment estimation and the construction plan of the project were approved by the Board on 30 December 2020. Currently, the bidding for and engagement of constructors and inspection engineers has been completed. The construction permit was obtained for the project on 7 December 2021, and the construction has been started.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2013) No. 4 on the south of Baifo Road and the east of Xuzhuang Street in Zhengdong New District, Zhengzhou, and has completed the earthwork excavation and pile foundation construction. The construction is currently suspended.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 1 on the west of East Fourth Ring Road and the south of Lianhu Road in Zhengdong New District, Zhengzhou. Currently, the project has not commenced construction.

The Bank participated in and won the bid for the land use right of the granted parcel of land of Plot Zheng Zheng Dong Chu (2014) No. 3 on the south of Shangding Road and the west of Mingli Road in Zhengdong New District, Zhengzhou. Currently, the project has not commenced construction.

IV. Major Guarantees

During the Reporting Period, no major guarantees of the Bank were required to be disclosed except for the financial guarantees provided within the business scope approved by the PBOC.

Specific Explanation and Independent Opinions of the Independent Directors Regarding External Guarantees of China Minsheng Banking Corp., Ltd.

In accordance with the Regulatory Guidelines for Listed Companies No. 8 – Regulatory Requirements for Fund Transactions and External Guarantees of Listed Companies《上市公司監管指引第8號－上市公司資金往來、對外擔保的監管要求》and relevant rules of the SSE, Independent Directors of China Minsheng Banking Corp., Ltd. carried out an investigation on the external guarantees of the Bank in 2021 on an open, fair and objective basis. Specific explanation and independent opinions are issued as below:

Upon investigation, the external guarantee business carried out by the Bank in 2021 mainly involves issuing letters of guarantee. It is a regular banking business within the business scope of the Bank approved by relevant regulatory authorities.

The Bank attached great importance to the compliance and risk management of guarantee business. Based on risk characteristics of this business, the Bank has formulated and strictly implemented relevant operating process and approval procedures. As of 31 December 2021, the balance of letters of guarantee issued by the Bank amounted to RMB146.076 billion. Such business is normally operated and no material illegal guarantee is found.

Independent Directors
LIU Jipeng, LI Hancheng, XIE Zhichun,
PENG Xuefeng, LIU Ningyu, QU Xinjiu
29 March 2022

V. Commitments by the Bank and Its Relevant Entities

According to the relevant rules of the CSRC, the Bank considered and approved the Proposal on Impacts on Dilution of Current Returns of the Non-public Issuance of Preference Shares and the Relevant Remedial Measures of China Minsheng Banking Corp., Ltd.《關於中國民生銀行股份有限公司非公開發行優先股攤薄即期回報及填補措施的議案》at the first extraordinary meeting for 2016 on 1 February 2016 and the Proposal on Impacts on Dilution of Current Returns of the Public Issuance of A Shares Convertible Corporate Bonds and the Relevant Remedial Measures of China Minsheng Banking Corp., Ltd.《關於中國民生銀行股份有限公司公開發行A股可轉換公司債券攤薄即期回報及填補措施的議案》at the annual general meeting for 2016 on 16 June 2017, in which remedial measures on the dilution of current returns that might arise from the non-public issuance of preference shares and the public issuance of A Share convertible corporate bonds by the Bank was formulated, respectively. These measures included strengthening capital management and optimising resources allocation, promoting the transformation of business model and management mechanism, enhancing comprehensive management and refined management, improving comprehensive risk management, and further increasing its corporate value. At the same time, the Directors and the Senior Management of the Bank also made commitments to effectively execute the remedial measures on current returns. During the Reporting Period, the Bank and the Directors and the Senior Management of the Bank did not violate any of the aforesaid commitments.

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VI. Appointment of Accounting Firms

The Shareholders' General Meeting of the Bank for 2020 approved to engage PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers as the external auditors of the Bank, being the auditing firms responsible for domestic and international auditing of the Bank for 2021, respectively.

According to the terms of contracts, the total remuneration agreed between the Bank and the above auditors in respect of their audit services for the year, including 2021 annual auditing, 2021 interim review, agreed procedures of 2021 quarterly financial statements and auditing of the effectiveness of internal control for 2021, was RMB9.0 million, including a service fee of RMB1.0 million for the audit of the effectiveness of internal control.

As of the end of the Reporting Period, PricewaterhouseCoopers Zhong Tian LLP and PricewaterhouseCoopers have been providing audit services to the Bank for the third year. YAN Lin and ZHANG Honglei, the signing accountants, had provided services for the Bank for the third year.

VII. Material Related Party Transactions

There is no controlling relationship between the related parties of the Bank. During the Reporting Period, none of the related parties had material related party transactions of total transaction value of more than 5% of the audited net asset value of the Bank, and the related party transactions of the Bank were mainly provision of loans to shareholders and related parties. All loans to related parties were provided in compliance with relevant laws and regulations and according to the credit terms and approval procedures of the Bank. The loans did not have any adverse impacts on the operating results and financial position of the Bank. For other related party transactions of the Group, please refer to note 9 "Related Parties" to the financial report.

In accordance with the rules 14A.49 and 14A.71 under Chapter 14A of the Hong Kong Listing Rules, the related party transactions and continuing related party transactions of the Bank during the Reporting Period were as follows:

(I) Continuing related party transactions between the Bank and Dajia Life Insurance Co., Ltd. for agency sales of financial products

1. Business cooperation framework agreement for agency sales of financial products with Dajia Life Insurance Co., Ltd. for 2021

(1) Details of the transactions

On 21 December 2020, the first extraordinary meeting of the eighth session of the Board of the Bank considered and approved the Proposal on Granting Integrated Group Credit for 2020 to Dajia Insurance Group Co., Ltd. and the Specific Business thereunder《關於大家保險集團有限責任公司2020年度集團統一授信及項下單筆業務的議案》. The Bank would enter into a business cooperation framework agreement for agency sales of financial products with Dajia Life Insurance Co., Ltd., with a term from 1 January 2021 to 31 December 2021. Pursuant to the agreement, subject to the laws and regulations, regulatory requirements and internal management policies, the Bank shall provide services of agency sales of financial products to Dajia Life Insurance Co., Ltd., including but not limited to agency sales of insurance products, asset management products, fund products and securities products, and charge for service fees. For the year ended 31 December 2021, the annual cap of the service fees was RMB1 billion and the actual service fees for the related party transactions were RMB196 million.

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The cooperation between the Bank and Dajia Life Insurance Co., Ltd. was beneficial for both parties to achieve sharing of resources and mutual supplement of advantages which in turn further increased the Bank's incomes from its retail banking intermediary business. In addition, entering into the business cooperation framework agreement can simplify the disclosure procedure and reduce compliance cost of the Bank.

As at the date of the agreement, Dajia Life Insurance Co., Ltd. held approximately 17.84% equity interests of the Bank, and was therefore a substantial shareholder of the Bank. Thus, Dajia Life Insurance Co., Ltd. constituted a related party of the Bank and the transactions between the Group and Dajia Life Insurance Co., Ltd. constituted continuing related party transactions under the Hong Kong Listing Rules. As the highest applicable percentage ratio for the annual cap of the service fees receivable from Dajia Life Insurance Co., Ltd. under the business cooperation framework agreement for agency sales of financial products exceeded 0.1% but was less than 5%, the transactions constituted non-exempted continuing related party transactions of the Bank; and were subject to the reporting and announcement requirements but were exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the related party transaction announcement of the Bank published on 21 December 2020 on the HKEXnews website of the SEHK and the website of the Bank.

(2) Opinions of the Independent Directors

The Independent Non-Executive Directors of the Bank have reviewed the continuing related party transactions regarding the business cooperation with Dajia Life Insurance Co., Ltd. for agency sale services of financial products, and confirmed that the transactions were:

1) entered into in the ordinary and usual course of business of the Bank;

2) based on normal or more favourable commercial terms; and

3) based on the terms of agreement governing the relevant transactions, which are fair and reasonable, and in the interests of the Bank's shareholders as a whole.

(3) Opinions of the auditors

Pursuant to rule 14A.56 of the Hong Kong Listing Rules, the Board engaged PricewaterhouseCoopers, the international auditor of the Bank, to perform relevant procedures on the continuing related party transactions regarding the business cooperation with Dajia Life Insurance Co., Ltd. for agency sales of financial products according to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Related Party Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that the auditor has reported the results of its procedures to the Board. Regarding the disclosed continuing related party transactions, nothing has come to the attention of the auditor that:

1) the continuing related party transactions have not been approved by the Board of the Bank;

2) for related party transactions involving the provision of goods or services by the Group, the transactions were not priced, in all material respects, in accordance with the pricing policies of the Group;

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3) the related party transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

4) the aggregate amount of each of the continuing related party transactions has exceeded the aggregate annual caps in the continuing related party transaction announcement of the Bank published on the HKEXnews website of the SEHK and the website of the Bank on 21 December 2020.

2. Business cooperation framework agreement for agency sales of financial products with Dajia Life Insurance Co., Ltd. for 2022

On 28 December 2021, the sixteenth meeting of the eighth session of the Board of the Bank considered and approved the Proposal on Entering into Business Cooperation Framework Agreement for Agency Sales of Financial Products between the Bank and Dajia Life Insurance Co., Ltd. 《關於本行與大家人壽保險股份有限公司簽署金融產品代理銷售業務合作框架協議的議案》. The Bank would enter into a business cooperation framework agreement for agency sales of financial products with Dajia Life Insurance Co., Ltd. in due course, with a term from 1 January 2022 to 31 December 2022. Pursuant to the agreement, subject to the laws and regulations, regulatory requirements and internal management policies, the Bank shall provide services of agency sales of financial products to Dajia Life Insurance Co., Ltd., including but not limited to agency sales of insurance products, asset management products, fund products and securities products, and charge for service fees. For the year ended 31 December 2022, the annual cap of the service fees will be RMB300 million.

The cooperation between the Bank and Dajia Life Insurance Co., Ltd. was beneficial for both parties to achieve sharing of resources and mutual supplement of advantages which in turn further increased the Bank's incomes from its retail banking intermediary business. In addition, entering into the business cooperation framework agreement can simplify the disclosure procedure and reduce compliance cost of the Bank.

As at the date of the agreement, Dajia Life Insurance Co., Ltd. held approximately 17.84% equity interests of the Bank, and was therefore a substantial shareholder of the Bank. Thus, Dajia Life Insurance Co., Ltd. constituted a related party of the Bank and the transactions between the Group and Dajia Life Insurance Co., Ltd. constituted continuing related party transactions under the Hong Kong Listing Rules. As the highest applicable percentage ratio for the annual cap of the service fees receivable from Dajia Life Insurance Co., Ltd. under the business cooperation framework agreement for agency sales of financial products exceeded 0.1% but was less than 5%, the transactions constituted non-exempted continuing related party transactions of the Bank, and were subject to the reporting and announcement requirements but were exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the related party transaction announcement of the Bank published on 28 December 2021 on the HKEXnews website of the SEHK and the website of the Bank.

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(II) Continuing related party transactions between the Bank and Huaxia Life Insurance Co., Ltd. for agency sales of financial products

1. Business cooperation framework agreement for agency sales of financial products with Huaxia Life Insurance Co., Ltd. for 2021

(1) Details of the transactions

On 21 December 2020, the first extraordinary meeting of the eighth session of the Board of the Bank considered and approved the Proposal on Entering into Business Cooperation Framework Agreement for Agency Sales of Financial Products between the Company and Huaxia Life Insurance Co., Ltd. 《關於本公司與華夏人壽保險股份有限公司簽署金融產品代理銷售業務合作框架協議的議案》 and agreed to enter into a business cooperation framework agreement for agency sales of financial products with Huaxia Life Insurance Co., Ltd., a related party of the Bank, with a term from 1 January 2021 to 31 December 2021. Pursuant to the agreement, subject to the laws and regulations, regulatory requirements and internal management policies, the Bank should provide services of agency sales of financial products to Huaxia Life Insurance Co., Ltd., including but not limited to agency sales of insurance products, and charge for sales service fees. For the year ended 31 December 2021, the annual cap of the service fees was RMB460 million, and the actual service fees for the related party transactions were RMB15 million.

The cooperation between the Bank and Huaxia Life Insurance Co., Ltd. was beneficial for both parties to achieve sharing of resources and mutual supplement of advantages which in turn further increased the Bank's incomes from its retail banking intermediary business. In addition, entering into the business cooperation framework agreement can simplify the disclosure procedure and reduce compliance cost of the Bank.

As at the date of the agreement, Mr. ZHANG Hongwei, the Vice Chairman of the Bank, was the ultimate controller of Orient Group Co., Ltd. and Orient Group Incorporation. As a result, Orient Group Co., Ltd. and Orient Group Incorporation were associates of Mr. ZHANG Hongwei. Orient Group Co., Ltd., Orient Group Incorporation and Huaxia Life Insurance Co., Ltd. were parties acting in concert[16]. Huaxia Life Insurance Co., Ltd. constituted a related party of the Bank, and the transactions between the Group and Huaxia Life Insurance Co., Ltd. constituted continuing related party transactions under the Hong Kong Listing Rules. As the highest applicable percentage ratio for the annual cap of the service fees payable to the Bank by Huaxia Life Insurance Co., Ltd. under the business cooperation framework agreement for agency sales of financial products exceeded 0.1% but was less than 5%, the transactions constituted non-exempted continuing related party transactions of the Bank and were subject to the reporting and announcement requirements but were exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. For details, please refer to the related party transaction announcement of the Bank published on 21 December 2020 on the HKEXnews website of the SEHK and the website of the Bank.

[16] On 29 April 2021, the respective relationship of parties acting in concert between Huaxia Life Insurance Co., Ltd. and Orient Group Co., Ltd. and between Huaxia Life Insurance Co., Ltd. and Orient Group Incorporation was terminated. Huaxia Life Insurance Co., Ltd. was no longer the related party of the Bank according to the Hong Kong Listing Rules.

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(2) Opinions of the Independent Directors

The Independent Non-Executive Directors of the Bank have reviewed the continuing related party transactions regarding the business cooperation with Huaxia Life Insurance Co., Ltd. for agency sale services of financial products, and confirmed that the transactions were:

1) entered into in the ordinary and usual course of business of the Bank;

2) based on normal or more favourable commercial terms; and

3) based on the terms of agreement governing the relevant transactions, which are fair and reasonable, and in the interests of the Bank's shareholders as a whole.

(3) Opinions of the auditors

Pursuant to rule 14A.56 of the Hong Kong Listing Rules, the Board engaged PricewaterhouseCoopers, the international auditor of the Bank, to perform relevant procedures on the continuing related party transactions regarding the business cooperation with Huaxia Life Insurance Co., Ltd. for agency sales of financial products according to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to the Practice Note 740 "Auditor's Letter on Continuing Related Party Transaction under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board confirmed that the auditor has reported the results of its procedures to the Board. Regarding the disclosed continuing related party transactions, nothing has come to the attention of the auditor that:

1) the continuing related party transactions have not been approved by the Board of the Bank;

2) for related party transactions involving the provision of goods or services by the Group, the transactions were not priced, in all material respects, in accordance with the pricing policies of the Group;

3) the related party transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions;

4) the aggregate amount of each of the continuing related party transactions has exceeded the aggregate annual cap in the continuing related party transaction announcement of the Bank published on the HKEXnews website of the SEHK and the website of the Bank on 21 December 2020.

Save as disclosed in this report, during the Reporting Period, the Bank did not have any discloseable related party transaction or continuing related party transaction pursuant to the provisions in relation to related party transactions under Chapter 14A of the Hong Kong Listing Rules.

CHAPTER 11 MAJOR EVENTS

VIII. Repurchase, Sale or Redemption of Shares

Save as disclosed in this Annual Report, during the 12 months ended 31 December 2021, the Group had neither sold any securities of the Bank nor repurchased or redeemed any listed share of the Bank.

IX. Restriction Commitments Regarding Additional Shares for Shareholders with Shareholding of 5% or More in the Bank

Not applicable.

X. Administrative Penalties Imposed on the Bank and Directors, Supervisors, Senior Management and Controlling Shareholders of the Bank

During the Reporting Period, the Bank was not aware of the Bank or any of its incumbent Directors, Supervisors or Senior Management being subject to any investigation by the competent authorities or mandatory measures imposed by the judicial authorities or commission for discipline inspection, or handled over to judicial authorities for criminal liabilities, nor any of them being a subject to examination or administrative penalty by the CSRC, or prohibited from the securities market or deemed as ineligible persons, or subject to any material administrative penalty imposed by the environmental protection, safety, taxation and other administrative authorities or publicly censured by any stock exchanges.

XI. Integrity of the Bank, Controlling Shareholders and Ultimate Controllers

The Bank does not have any controlling shareholder or ultimate controller. Dajia Life Insurance Co., Ltd. is the largest shareholder. During the Reporting Period, the largest shareholder and its ultimate controller did not have any effective court ruling which was not implemented or any overdue debt in large amounts.

XII. Non-Operating Fund Occupation by Controlling Shareholders and Other Related Parties

The Bank does not have any controlling shareholder and Dajia Life Insurance Co., Ltd. is the largest shareholder. The Bank does not have any non-operating fund occupation by the largest shareholder and its ultimate controller and other related parties.

XIII. Illegal Guarantees

During the Reporting Period, the Bank did not enter into any guarantee contracts in violation of the guarantee procedures prescribed by laws, administrative regulations and the CSRC.

CHAPTER 12 FINANCIAL REPORTS

I. Independent Auditor's Report

II. Financial Statements for the Year 2021 (Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows)

III. Notes to the Consolidated Financial Statements for the Year 2021

IV. Unaudited Supplementary Financial Information for the Year 2021

INDEPENDENT AUDITOR'S REPORT

pwc 羅兵咸永道

To the Shareholders of China Minsheng Banking Corp., Ltd.
(incorporated in the People's Republic of China with limited liability)

Opinion

What we have audited

The consolidated financial statements of China Minsheng Banking Corp., Ltd. (the "Bank") and its subsidiaries (the "Group"), which are set out on pages 262 to 466, 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.

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.

INDEPENDENT AUDITOR'S REPORT

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 and financial investments
- Consolidation of structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments	
Refer to Note 2.10, Note 3.1, Note 4.16 and Note 4.17 to the consolidated financial statements. As at 31 December 2021, gross loans and advances to customers and accrued interest, as presented in the Group's consolidated balance sheet, amounted to RMB4,071,485 million, for which the management recognized an impairment allowance of RMB105,108 million; total financial investments and accrued interest included for the purpose of expected credit loss assessment amounted to RMB1,740,050 million, for which the management recognized an impairment allowance of RMB17,199 million.	We obtained an understanding of the management's internal control and assessment process of ECL for loans and advances to customers, and financial investments, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors. We evaluated and tested the key internal controls relating to ECL for loans and advances to customers, and financial investments, primarily including: (1) Governance over ECL models, including the selection, approval and application of modelling methodology; and the internal controls relating to the on-going monitoring and optimization of the models;

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter

Measurement of expected credit losses for loans and advances to customers and financial investments *(continued)*

The balances of allowances for impairment losses for loans and advances to customers and financial investments represent the management's best estimates at the balance sheet date of expected credit losses ("ECL") under International Financial Reporting Standard 9: Financial Instruments expected credit losses models.

The management assesses whether the credit risk of loans and advances to customers and financial investments have increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their ECL. For corporate loans and financial investments in stages 1 and 2, and all personal loans, the management assesses allowance for impairment losses 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 financial investments in stage 3, the management assesses allowance for impairment losses using discounted cash flows model.

The models of ECL involves significant management judgments and assumptions, primarily including:

(1) Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key measurement parameters;

(2) Internal controls relating to significant management judgments and assumptions, including the assessment and approval of portfolio segmentation, model selections, parameters estimation, identification of significant increase in credit risk, defaults or credit-impaired and forward-looking adjustments;

(3) Internal controls over the accuracy and completeness of key inputs used by the models;

(4) Internal controls relating to estimated future cash flows and calculations of present values of such cash flows for corporate loans and financial investments in stage 3;

(5) Internal controls over the information systems for ECL measurement;

(6) Evaluation and approval of the measurement result of ECL for loans and advances to customers, and financial investments.

The substantive procedures we preformed primarily included:

According to the risk characteristics of assets, we evaluated the reasonableness of segmentation of business operations. We assessed the appropriateness of the modelling methodologies adopted for ECL measurement by comparing with the industry practice. We also examined the model computation on a sample basis, to test whether or not the models reflect the modelling methodologies documented by the management.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments *(continued)*	
(2) Criteria for determining whether or not there is a significant increase in credit risk, or a default or impairment loss is incurred; (3) Economic indicators for forward-looking measurement, and the application of economic scenarios and weightings; (4) The estimated future cash flows for corporate loans and financial investments in stage 3. The management established governance processes and internal controls for the measurement of ECL. For measuring ECL, the management adopted complex models, used numerous parameters and data inputs, and applied significant management judgments and assumptions. In addition, the loans and advances to customers, financial investments and the related impairment allowance involve significant amounts, and the measurement has a high degree of estimation uncertainty. In view of these reasons, we identified this as a key audit matter.	We have examined the accuracy of data inputs for the ECL models, and evaluated the reasonableness of the correlation parameters, covering: (i) examination of supporting information on a sample basis, including contractual information, such as maturity dates, and other financial and non-financial information, such as the borrower's historical and reporting date information, which have been agreed with the underlying data used to generate probability of default and internal credit ratings, and assessment of the reasonableness of probability of default; (ii) assessment of the reasonableness of the loss given default using historical data and benchmarking against industry practices; and (iii) examination of borrowing contracts and assessment of the reasonableness of exposure at default and discount rates. We selected samples, in consideration of the financial information and non-financial information of the borrowers, relevant external evidence and other factors, to assess the appropriateness of the management's identification of significant increase in credit risk, defaults and credit-impaired. For forward-looking measurements, we assessed management's selection of economic indicators and their analysis of correlation with the performance of the credit risk portfolios by using statistical techniques. We further evaluated the reasonableness of the prediction of economic indicators by performing back-testing and comparing with available forecasts from third-party institutions. In addition, we performed sensitivity analysis on the economic indicators and weightings under different economic scenarios.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Measurement of expected credit losses for loans and advances to customers and financial investments *(continued)*	
	For corporate loans and advances and financial investments in stage 3, we examined, on a sample basis, forecasted future cash flows prepared by the management based on financial information of borrowers and guarantors, latest collateral valuations and other available information together with discount rates in supporting the computation of impairment allowance. Based on the procedures performed, we considered that the models, key parameters, significant judgement and assumptions adopted in the ECL measurement together with the measurement results were considered acceptable.
Consolidation of structured entities Refer to Note 2.4(1), Note 3.5 and Note 7 to the consolidated financial statements. Structured entities primarily included non-principal guaranteed wealth management products, asset-backed securities, funds, trust plans and asset management plans invested, sponsored and managed by the Group. As at 31 December 2021, the carrying amount of unconsolidated structured entities invested by the Group amounted to RMB546,717 million. In addition, as at 31 December 2021, the balances of non-principal guaranteed wealth management products, funds and asset management plans and trust plans sponsored and managed by the Group which were not included in the consolidated statement of financial position were RMB1,012,833 million and RMB195,548 million, respectively.	We understood, evaluated and tested the Group's relevant key internal controls over consolidation assessment of structured entities. These included controls over management's assessment of the transaction structures and contractual terms, calculations of variable returns, as well as approval of the consolidation assessment results. We selected samples of structured entities and performed the following tests: • reviewed contracts and other supporting documents, analysed the Group's contractual rights and obligations 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, asset management fees, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities.

INDEPENDENT AUDITOR'S REPORT

Key Audit Matters *(continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities *(continued)*	
Management had determined whether the Group had control of certain structured entities based on the assessment of the Group's power over, its exposure to variable returns from its involvement with, and its ability to use its power to affect the amount of its returns from these structured entities. The significant judgement exercised by management in assessing whether the Group had control of structured entities and the significant amount of such structured entities resulted in this matter being identified as a key area of audit focus.	• assessed whether the Group acted as a principal or an agent, through analysis and assessment of the scope of the Group's decision making authority over the structured entities, the remuneration to which the Group was entitled for asset management services, the Group's exposure to variability of returns from other interests in the structured entities, and the rights held by other parties in the structured entities. Based on the procedures performed, we found management's consolidation judgement of these structured entities acceptable.

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 Those Charged with Governance 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.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 judgment 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.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

- 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.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(continued)*

From the matters communicated with those charged with governance, 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 Leung Kwok Wai, Jimmy.

PricewaterhouseCoopers

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2022

CONSOLIDATED INCOME STATEMENT

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

	Note 4	Year ended 31 December 2021	2020
Interest income		**277,679**	286,593
Interest expense		**(151,904)**	(151,369)
Net interest income	1	**125,775**	135,224
Fee and commission income		**33,135**	33,113
Fee and commission expense		**(5,569)**	(5,449)
Net fee and commission income	2	**27,566**	27,664
Net trading gain	3	**3,110**	4,212
Net gain from investment securities	4	**7,346**	13,394
Including: disposals of financial assets measured at amortised cost		**744**	(184)
Net other operating income	5	**1,757**	1,313
Operating expenses	6	**(51,181)**	(50,485)
Credit impairment losses	7	**(77,398)**	(92,988)
Other impairment losses		**(1,375)**	(1,628)
Profit before income tax		**35,600**	36,706
Income tax expense	9	**(747)**	(1,604)
Net profit		**34,853**	35,102
Net profit attributable to:			
Equity holders of the Bank		**34,381**	34,309
Non-controlling interests		**472**	793
Earnings per share (expressed in RMB Yuan)			
Basic and diluted earnings per share	10	**0.71**	0.71

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	Year ended 31 December	
	2021	2020
Net profit	**34,853**	35,102
Other comprehensive income of the year, net of tax	**2,271**	(4,284)
Items that will not be reclassified subsequently to profit or loss:		
Changes in fair value of equity instruments designated as measured at fair value through other comprehensive income	**(12)**	41
Items that may be reclassified subsequently to profit or loss:		
Financial assets at fair value through other comprehensive income		
Changes in fair value	**1,934**	(3,585)
Allowance for impairment losses	**471**	(3)
Effective hedging portion of gains or losses arising from cash flow hedging instruments	**17**	(21)
Exchange difference on translating foreign operations	**(139)**	(716)
Total comprehensive income of the year	**37,124**	30,818
Total comprehensive income attributable to:		
Equity holders of the Bank	**36,614**	30,234
Non-controlling interests	**510**	584

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2021	31 December 2020
ASSETS			
Cash and balances with central bank	11	**361,302**	401,525
Balances with banks and other financial institutions	12	**92,546**	52,084
Precious metals		**13,189**	6,782
Placements with banks and other financial institutions	13	**158,768**	221,908
Derivative financial assets	14	**27,461**	42,285
Financial assets held under resale agreements	15	**1,362**	21,464
Loans and advances to customers	16	**3,967,679**	3,782,297
Financial investments:	17		
– Financial assets at fair value through profit or loss		**300,684**	322,480
– Financial assets at fair value through other comprehensive income		**435,529**	470,122
– Financial assets measured at amortised cost		**1,298,220**	1,328,048
Long-term receivables	18	**122,716**	127,853
Property and equipment	19	**53,466**	51,129
Right-of-use assets	20(1)	**14,105**	14,331
Deferred income tax assets	21	**51,904**	50,033
Investments in associates	22(3)	**2**	2
Other assets	23	**53,853**	57,890
Total assets		**6,952,786**	6,950,233

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2021	31 December 2020
LIABILITIES			
Borrowings from central bank		**279,787**	292,352
Deposits and placements from banks and other financial institutions	25	**1,294,358**	1,069,721
Financial liabilities at fair value through profit or loss		**2,856**	3,293
Borrowings from banks and other financial institutions	26	**114,461**	131,018
Derivative financial liabilities	14	**26,114**	42,675
Financial assets sold under repurchase agreements	27	**36,485**	65,318
Deposits from customers	28	**3,825,693**	3,768,151
Lease liabilities	20(2)	**10,225**	10,267
Provisions	29	**2,250**	2,021
Debt securities issued	30	**711,024**	957,880
Current income tax liabilities		**8,811**	18,589
Deferred income tax liabilities	21	**247**	117
Other liabilities	31	**53,936**	47,583
Total liabilities		**6,366,247**	6,408,985

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

	Note 4	31 December 2021	31 December 2020
EQUITY			
Share capital	*32*	**43,782**	43,782
Other equity instrument		**89,964**	69,860
Including: Preference shares	*33*	**19,975**	29,867
Perpetual bonds	*34*	**69,989**	39,993
Reserves			
Capital reserve	*32*	**58,149**	57,419
Surplus reserve	*36*	**51,843**	48,479
General reserve	*36*	**87,013**	86,599
Other reserves		**385**	(1,849)
Retained earnings	*36*	**243,144**	225,247
Total equity attributable to equity holders of the Bank		**574,280**	529,537
Non-controlling interests		**12,259**	11,711
Total equity		**586,539**	541,248
Total liabilities and equity		**6,952,786**	6,950,233

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

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

Gao Yingxin
Chairman

Zheng Wanchun
Vice Chairman and President

Liu Ningyu
Director

(Company Seal)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

	Attributable to equity shareholders of the Bank											
			Reserves									
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
Note 4	32	33&34	32	36	36	39		39	36		37	
At 31 December 2020	43,782	69,860	57,419	48,479	86,599	(1,740)	(85)	(24)	225,247	529,537	11,711	541,248
(I) Net profit	-	-	-	-	-	-	-	-	34,381	34,381	472	34,853
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,312	(96)	17	-	2,233	38	2,271
Total comprehensive income	-	-	-	-	-	2,312	(96)	17	34,381	36,614	510	37,124
(III) Capital injection and deduction by equity holders												
1. Capital injection by other equity instrument holders	-	29,996	-	-	-	-	-	-	-	29,996	-	29,996
2. Capital deduction by other equity instrument holders	-	(9,892)	730	-	-	-	-	-	-	(9,162)	-	(9,162)
(IV) Profit distribution												
1. Appropriation to surplus reserve	-	-	-	3,364	-	-	-	-	(3,364)	-	-	-
2. Appropriation to general reserve	-	-	-	-	414	-	-	-	(414)	-	-	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,714)	(10,714)	(72)	(10,786)
4. Perpetual bond interest	-	-	-	-	-	-	-	-	(1,940)	(1,940)	-	(1,940)
(V) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	1	-	-	(1)	-	-	-
(VI) Others												
1. Capital injection by subsidiaries	-	-	-	-	-	-	-	-	-	-	140	140
2. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(51)	(51)	(30)	(81)
At 31 December 2021	43,782	89,964	58,149	51,843	87,013	573	(181)	(7)	243,144	574,280	12,259	586,539

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in millions of Renminbi, unless otherwise stated)

	Attributable to equity shareholders of the Bank											
				Reserves								
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total	Non-controlling interests	Total equity
Note 4	32	33&34	32	36	36	39		39	36		37	
At 31 December 2019	43,782	69,860	57,411	45,162	81,657	1,822	408	(3)	218,746	518,845	11,984	530,829
(I) Net profit	-	-	-	-	-	-	-	-	34,309	34,309	793	35,102
(II) Other comprehensive income, net of tax	-	-	-	-	-	(3,541)	(513)	(21)	-	(4,075)	(209)	(4,284)
Total comprehensive income	-	-	-	-	-	(3,541)	(513)	(21)	34,309	30,234	584	30,818
(III) Profit distribution												
1. Appropriation to surplus reserve	-	-	-	3,317	-	-	-	-	(3,317)	-	-	-
2. Appropriation to general reserve	-	-	-	-	4,878	-	-	-	(4,878)	-	-	-
3. Cash dividends	-	-	-	-	-	-	-	-	(17,596)	(17,596)	(76)	(17,672)
4. Interest on the perpetual bond	-	-	-	-	-	-	-	-	(1,940)	(1,940)	-	(1,940)
(IV) Transfers within the owners' equity												
1. Other comprehensive income transferred to retained earnings	-	-	-	-	-	(13)	-	-	13	-	-	-
(V) Others												
1. Purchase non-controlling interests	-	-	72	-	62	(8)	20	-	(97)	49	(751)	(702)
2. Capital injection to subsidiaries	-	-	(64)	-	2	-	-	-	49	(13)	13	-
3. Subsidiaries shares repurchased	-	-	-	-	-	-	-	-	(42)	(42)	(43)	(85)
At 31 December 2020	43,782	69,860	57,419	48,479	86,599	(1,740)	(85)	(24)	225,247	529,537	11,711	541,248

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Year ended 31 December	
	2021	2020
Cash flows from operating activities:		
Profit before income tax	**35,600**	36,706
Adjustments for:		
– Credit impairment losses	**77,398**	92,988
– Other impairment losses	**1,375**	1,628
– Depreciation and amortisation	**7,407**	7,599
– Losses on disposal of property and equipment and other long-term assets	**11**	103
– Losses/(Gains) from changes in fair value	**1,472**	(440)
– Net gains on disposal of investment securities	**(8,785)**	(8,365)
– Interest expense on debt securities issued	**23,352**	24,330
– Interest expense on lease liabilities	**416**	459
– Interest income from financial investments	**(58,529)**	(64,402)
Subtotal	**79,717**	90,606
Changes in operating assets:		
Net decrease/(increase) in balances with central bank, banks and other financial institutions	**17,681**	(4,374)
Net decrease in placements with banks and other financial institutions	**50,663**	14,038
Net decrease in financial assets held under resale agreements	**20,083**	44,252
Net increase in loans and advances to customers	**(244,767)**	(431,147)
Net decrease in financial assets held for trading purposes	**18,604**	115,683
Net decrease in other operating assets	**8,508**	6,224
Subtotal	**(129,228)**	(255,324)

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Year ended 31 December	
	2021	2020
Cash flows from operating activities *(continued)*:		
Changes in operating liabilities:		
Net (decrease)/increase in borrowings from central bank	**(12,605)**	92,085
Net increase in deposits from customers	**47,587**	124,086
Net increase/(decrease) in deposits and placements from banks and other financial institutions	**221,676**	(92,543)
Net decrease in financial assets sold under repurchase agreements	**(28,541)**	(36,532)
Income tax paid	**(12,982)**	(13,534)
Net (decrease)/increase in other operating liabilities	**(10,207)**	8,754
Subtotal	**204,928**	82,316
Net cash generated from/(used in) operating activities	**155,417**	(82,402)

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	Note 4	Year ended 31 December 2021	2020
Cash flows from investing activities:			
Proceeds from sale and redemption of investments and investment income		**1,353,113**	1,288,984
Proceeds from disposal of property and equipment, intangible assets and other long-term assets		**2,810**	3,435
Cash payment for investments		**(1,228,550)**	(1,276,243)
Cash payment for purchasing non-controlling interests in subsidiaries		**–**	(702)
Cash payment for purchase of property and equipment, intangible assets and other long-term assets		**(9,465)**	(7,814)
Net cash generated from investing activities		**117,908**	7,660
Cash flows from financing activities:			
Capital injection by holders of other equity instruments		**29,996**	–
Proceeds from issue of debt securities		**766,573**	1,040,440
Capital injection by subsidiaries		**140**	–
Capital deduction by holders of other equity instruments		**(9,162)**	–
Repayment of debt securities issued		**(1,025,490)**	(914,743)
Subsidiaries shares repurchased		**(81)**	(85)
Interest paid on debt securities and perpetual bonds issued		**(14,063)**	(12,230)
Dividends paid		**(10,736)**	(17,669)
Cash payment in other financing activities		**(3,897)**	(3,748)
Net cash (used in)/generated from financing activities		**(266,720)**	91,965
Net increase in cash and cash equivalents		**6,605**	17,223
Cash and cash equivalents at 1 January		**157,919**	144,650
Effect of exchange rate changes on cash and cash equivalents		**(1,106)**	(3,954)
Cash and cash equivalents at 31 December	40	**163,418**	157,919

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
(Expressed in millions of Renminbi, unless otherwise stated)

1 General information

China Minsheng Banking Corp., Ltd. (the "Bank") is a national joint-stock commercial bank established in the People's Republic of China ("PRC") on 7 February 1996 with the approval of the State Council of the PRC and the People's Bank of China ("PBOC").

The Bank obtained the financial service certificate No. B0009H111000001 as approved by the China Banking and Insurance Regulatory Commission (the former "China Banking Regulatory Commission" and "China Insurance Regulatory Commission", the "CBIRC"), and the business licence as approved by the Beijing Administration for Industry and Commerce, the unified social credit code is No. 91110000100018988F.

The Bank's A Shares and H Shares are listed in the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, the stock codes are 600016 and 01988, respectively.

In these consolidated financial statements for the year ended 31 December 2021, China mainland refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC ("Hong Kong"), the Macau Special Administrative Region of the PRC ("Macau") and Taiwan. Overseas refers to Hong Kong, Macau, Taiwan and other countries and regions.

The Bank and its subsidiaries (collectively the "Group") mainly provide corporate and personal banking, treasury business, financial leasing, fund and asset management, investment banking and other financial services in the PRC.

As at 31 December 2021, the Bank had 42 tier-one branches and 32 subsidiaries.

2 Summary of significant accounting policies

The accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

(1) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("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 by the Hong Kong Companies Ordinance (Cap.622) for this financial year and the comparative period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(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 value, 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.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

2.2 Standards and amendments effective in 2021 relevant to and adopted by the Group

In current period, the Group has adopted the following International Financial Reporting Standards ("IFRSs") and amendments issued by the International Accounting Standards Board ("IASB").

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest rate benchmark reform-Phase 2
Amendments to IFRS 16	COVID 19 Related Rent Concessions

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform-Phase 2

The IASB has issued amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 ("Interest Rate Benchmark Reform-Phase 2"). The amendments are effective for annual periods beginning on or after 1 January 2021, with early application permitted.

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 recognise hedge ineffectiveness.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2 Summary of significant accounting policies *(continued)*

2.2 Standards and amendments effective in 2021 relevant to and adopted by the Group *(continued)*

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest rate benchmark reform-Phase 2 *(continued)*

The amendment provides a provisional exemption. When a company expects reasonably that the alternative benchmark interest rate will meet the separately identifiable requirements within 24 months from the date when it is designated as a non-contractually clear risk component, it shall be deemed to meet the separately identifiable requirements. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

Amendments to IFRS 16: COVID 19 related Rent Concessions

The International Accounting Standards Board (IASB) has published 'Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)' that extends, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID 19 related rent concession is a lease modification, and the changes in Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to:

- permit a lessee to apply the practical expedient regarding COVID 19 related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);

- require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;

- require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and

- specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

The adoption of the above standards and amendments does not have a significant impact on the operating results, financial position of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group

In current year, the Group has not adopted the following new or amended standards issued by the IASB and the IFRS Interpretations Committee ("IFRIC"), that have been issued but are not yet effective.

Standards/Amendments		Effective date
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 37	Cost of Fulfilling a Contract	1 January 2022
Amendments to IAS 16	Proceeds before Intended Use	1 January 2022
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	Annual Improvements to IFRS Standards 2018-2020 cycle	1 January 2022
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.
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction	1 January 2023

Amendments to IFRS 3: Reference to the Conceptual Framework

The IASB issued amendments to IFRS 3: Reference to the Conceptual Framework. The amendments have updated IFRS 3, 'Business combinations', to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. In addition, the Board added a new exception in IFRS 3 for liabilities and contingent liabilities. The Board has also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date. 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

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IAS 37: Cost of Fulfilling a Contract

The IASB issued amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract. The amendments clarify the meaning of 'costs to fulfil a contract', they explain that the direct cost of fulfilling a contract comprises: the incremental costs of fulfilling that contract and; an allocation of other costs that relate directly to fulfilling contracts. The amendments also clarify that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. The amendments could result in the recognition of more onerous contract provisions, because previously some entities only included incremental costs in the costs to fulfil a contract. The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IAS 16: Proceeds before Intended Use

The IASB issued amendments to IAS 16: Proceeds before Intended Use. The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The amendment also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management. The amendment requires entities to separately disclose the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities. An entity should also disclose the line item in the statement of comprehensive income where the proceeds are included. 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

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41: Annual Improvements to IFRS Standards 2018-2020 cycle

The Annual Improvements to IFRSs 2018 – 2020 Cycle include a number of amendments to various IFRSs:

- IFRS 1 First – time Adoption of International Financial Reporting Standards -allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

- IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.

- IFRS 16 Leases – amendment of its illustrative example to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

- IAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

The Group anticipates that the adoption of the amendments will not have a significant impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture

The amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or 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 the amendments will not have a significant impact on the Group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;

Several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;

And the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;

The amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

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

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IAS 8: Definition of Accounting Estimates

The changes to IAS 8 focus entirely on accounting estimates and clarify the following:

- The definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

- Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

- The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

- A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

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

2 Summary of significant accounting policies *(continued)*

2.3 Standards and amendments relevant to the Group that are not yet effective in current year and have not been adopted before their effective dates by the Group *(continued)*

Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from A Single Transaction

The main change in Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) is an exemption from the initial recognition exemption provided in IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. This is also explained in the newly inserted paragraph IAS 12.22A.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. It also, at the beginning of the earliest comparative period presented, recognises deferred tax for all temporary differences related to leases and decommissioning obligations and recognises the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

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

2 Summary of significant accounting policies *(continued)*

2.4 Consolidation

(1) Basis of consolidation

The consolidated financial statements include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

All intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2 Summary of significant accounting policies (continued)

2.4 Consolidation *(continued)*

(2) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the consolidated income statement as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 – Income Taxes and IAS 19 – Employee Benefits, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction by transaction basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2 Summary of significant accounting policies *(continued)*

2.4 Consolidation *(continued)*

(3) Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

(4) Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions.

The post-acquisition profit or loss of an associate is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2 Summary of significant accounting policies *(continued)*

2.4 Consolidation *(continued)*

(4) Investment in associate *(continued)*

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 – Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.5 Interest income and expenses

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

The Group uses the effective interest method to calculate the interest income and expenses of financial assets and liabilities measured at amortized cost, presented as "interest income" and 'interest expenses' respectively. For specific accounting policies, please refer to the Note 2.10(4) subsequent measurement of financial instruments.

2.6 Fee and commission income

Fee and commission income is recognized when the Group fulfils its performance obligation, either over time or at a point in time when a customer obtains control of the service.

For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement and clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.7 Foreign currency translations

The functional currency of the Domestic Operations is RMB. The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated income statement in the period in which they arise, except for the following:

(1) Exchange differences arising on a monetary item that forms part of the Bank's net investment in the Overseas Operations;

(2) Changes in the fair value of monetary assets denominated in foreign currency classified as financial investments at fair value through comprehensive income are analyzed between translation differences resulting from changes in the amortized cost of the monetary assets and other changes in the carrying amount. Translation differences related to changes in the amortized cost are recognized in the consolidated income statement, and other changes in the carrying amount are recognized in other comprehensive income.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated income statement for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's Overseas Operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at exchange rates at the date of the transactions, or a rate that approximates the exchange rates of the date of the transaction. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the foreign currency translation reserve and non-controlling interests, as appropriate. The accumulated foreign currency translation reserve related to the Overseas Operations will be reclassified from equity to the consolidated income statement on disposal of all or part of the Overseas Operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2 Summary of significant accounting policies (continued)

2.8 Income tax

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax also arises from unused tax losses and unused tax credits. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

At the end of each reporting period, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled according to the requirements of tax laws. The Group also considers the possibility of realisation and the settlement of deferred tax assets and deferred tax liabilities in the calculation.

Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to offset current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity. Otherwise, the balances of deferred tax assets and deferred tax liabilities, and movements therein, are presented separately from each other and are not offset.

Current income tax and movements in deferred tax balances are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(continued)*

2.9 Employee benefits

(1) Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the consolidated statement of profit or loss, including salaries, bonuses, allowance, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labour union fee and staff and workers' education fee.

(2) Post-employment benefits-defined contribution plans

The Group's post-employment benefits are primarily the payments for basic pension fund and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. The contribution amounts to the basic pension plan and unemployment insurance program are calculated based on the benchmarks and ratios stipulated by the state. In accordance with relevant annuity policies of the state, the Bank and some subsidiaries have also established supplementary defined contribution retirement plans, or annuity plans, for their qualified employees.

Contributions to the post-employment benefits plans are recognised in the consolidated statement of profit or loss for the period in which the related payment obligation is incurred.

2.10 Financial instruments

(1) Initial recognition, classification and measurement of financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its 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 incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(1) Initial recognition, classification and measurement of financial instruments *(continued)*

(a) Financial assets

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

- Amortized cost ("AC");
- Fair value through other comprehensive income ("FVOCI"); or
- Fair value through profit or loss ("FVPL").

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of 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.

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 determining whether their cash flows are SPPI.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies (continued)

2.10 Financial instruments *(continued)*

(1) Initial recognition, classification and measurement of financial instruments *(continued)*

(a) Financial assets *(continued)*

The classification requirements for 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 and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- AC: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVPL, are measured at amortized cost.

- FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVPL, are measured at FVOCI.

- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL.

The Group may also irrevocably designate financial assets at FVPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

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.

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2 Summary of significant accounting policies (continued)

2.10 Financial instruments *(continued)*

(1) Initial recognition, classification and measurement of financial instruments *(continued)*

(b) Financial liabilities

The Group's financial liabilities are classified into financial liabilities at FVPL and other financial liabilities carried at amortized cost on initial recognition. Financial liabilities at FVPL is applied to derivatives, financial liabilities held for trading and financial liabilities designated as such at initial recognition.

The Group may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel.
- The financial liability contains one or more embedded derivatives which significantly modify the cash flows otherwise required.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes any expenses incurred on the financial liability.

(2) Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(3) Determination of 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

(4) Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on the categories:

(a) Amortized cost

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance.

Interest income and interest expenses from these financial assets is included in "Interest income" and "interest expenses" using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(4) Subsequent measurement of financial instruments *(continued)*

(a) Amortized cost *(continued)*

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 amortized cost before any impairment allowance) or to the amortized 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 amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for:

- POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and

- financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(b) Fair value through other comprehensive income

Debt instruments

Movements in the carrying amount are taken through other comprehensive income ("OCI"), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "Interest income" using the effective interest rate method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(4) Subsequent measurement of financial instruments *(continued)*

(b) Fair value through other comprehensive income *(continued)*

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established.

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

Financial assets at fair value through profit or loss are stated at fair value and a gain or loss on a financial assets that is measured at fair value should be recognised in profit or loss.

(d) Financial liabilities at fair value through profit or loss

Financial liabilities at FVPL are measured at fair value with all gains or losses recognized in the profit or loss of the current period, except for financial liabilities designated as at fair value through profit or loss, where gains or losses on the financial liabilities are treated as follows:

- changes in fair value of such financial liabilities due to changes in the Group's own credit risk are recognized in other comprehensive income; and

- other changes in fair value of such financial liabilities are recognized in profit or loss of the current period. If the accounting of changes in the credit risk of the financial liabilities in accordance with the above paragraph will create or enlarge accounting mismatches in profit or loss, the Group recognizes all gains or losses on such financial liabilities (including amounts arising from changes in its own credit risk) in the profit or loss of the current period.

When the liabilities designated as at fair value through profit or loss is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to retained earnings.

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For the year ended 31 December 2021
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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(5) Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL is the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, which are all cash shortfalls, discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

The Group measures ECL of a financial instrument reflects:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) The time value of money; and

(c) 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.

For financial instruments whose impairment losses are measured using the ECL models, the Group assesses whether their credit risk has increased significantly since their initial recognition, and applies a three-stage impairment model to calculate their impairment allowance and recognize their ECL, as follows:

Stage 1: If the credit risk has not increased significantly since its initial recognition, the financial asset is included in stage 1.

Stage 2: If the credit risk has increased significantly since its initial recognition but is not yet deemed to be credit-impaired, the financial instrument is moved to Stage 2. The description of how the Group determines when a significant increase in credit risk has occurred is disclosed in Note 10.2(3).

Stage 3: If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3. The definition of credit-impaired financial assets is disclosed in Note 10.2(3).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(5) Impairment of financial instruments *(continued)*

Financial instruments in Stage 1 have their ECL measured at an amount equivalent to the ECL of the financial asset for the next 12 months ("12m ECL"). Financial instruments in Stage 2 or Stage 3 have their ECL measured at an amount equivalent to the ECL over the lifetime of the financial instruments ("Lifetime ECL"). The description of inputs, assumptions and estimation techniques used in measuring the ECL is disclosed in Note 10.2(3).

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

(6) 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 the new terms are substantially different to the original terms.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes 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 recognized 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 recognized in profit or loss as a gain or loss on derecognition.

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(6) 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 recognizes 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 POCI financial assets).

(7) Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated income statement.

Financial liabilities are derecognized when the related obligation is discharged, is cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated income statement.

(8) 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

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(9) Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured at their fair value at the end of the reporting period. The resulting gain or loss is recognized in the consolidated income statement.

Certain derivatives are embedded in hybrid contracts, such as the conversion option in a convertible bond. If the hybrid contract contains a host that is a financial asset, then the Group assesses the entire contract as described in the financial assets section above for classification and measurement purposes. Otherwise, the embedded derivatives are treated as separate derivatives when:

(a) Their economic characteristics and risks are not closely related to those of the host contract;

(b) A separate instrument with the same terms would meet the definition of a derivative; and

(c) The hybrid contract is not measured at fair value through profit or loss.

These embedded derivatives are separately accounted for at fair value, with changes in fair value recognized in the statement of profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss.

(10) Hedge accounting

The Group uses cash flow hedge accounting and fair value hedge accounting. The Group documents, at inception, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. The Group assesses the hedge effectiveness both at hedge inception and on an ongoing basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(10)Hedge accounting *(continued)*

(a) Cash flow hedge

Cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction that could ultimately affect the profit or loss.

The effective portion of changes in the fair value of hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the "other comprehensive income". The ineffective portion is recognised immediately in the profit or loss. Amounts accumulated in equity are reclassified to the profit or loss in the same periods when the hedged item affects the profit or loss.

When a hedging instrument expires or is sold, or the hedge designation is revoked or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss on the hedging instrument existing in equity at that time remains in equity and is reclassified to the profit or loss when the forecast transaction ultimately occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in equity is immediately transferred to the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in other comprehensive income is immediately transferred to the profit or loss.

(b) Fair value hedge

Fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

The changes in fair value of hedging instruments that are designated and qualify as fair value hedges are recorded in profit or loss, together with the changes in fair value of the hedged item attributable to the hedged risk. The net difference is recognised as ineffectiveness in the profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity. If the hedged item is de-recognised, the unamortised carrying value adjustment is recognised immediately in the profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(continued)*

2.10 Financial instruments *(continued)*

(11) Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

(12) Repurchase agreements and agreements to resell

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments or debt instruments as appropriate. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are disclosed in Note 6.3 Contingent Liabilities and Commitments – Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related collateral accepted is not recognized in the consolidated financial statements (Note 6.3 Contingent Liabilities and Commitments – Collateral).

The difference between the purchase and sale price is recognized as interest expense or income in the consolidated income statement over the term of the agreements using the effective interest method.

2.11 Precious metals

Precious metals comprise gold, silver and other precious metals.

Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated income statement in the period in which they arise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(continued)*

2.12 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 in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any. When the costs attributable to the land use rights cannot be reliably measured and separated from that of the building at inception, the costs are included in the cost of buildings and recorded in property and equipment.

Subsequent expenditure incurred for the property and equipment (other than construction in progress) is included in the cost of the property and equipment (other than construction in progress) if it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditure can be measured, and the carrying amount of the replaced part is derecognized. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Depreciation is recognized as a component of operating expenses in the consolidated income statement so as to recognize the consumption of the economic value of property and equipment (other than construction in progress), less their estimated residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation rates are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Annual depreciation rates
Buildings	20 – 30 years	5%	3.17% – 4.75%
Office equipment and others	5 – 20 years	5%	4.75% – 19.00%
Motor Vehicles	5 years	5%	19.00%
Operating lease fixed assets	5 – 30 years	5-15%	2.83% – 19.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(continued)*

2.12 Property and equipment *(continued)*

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from its continued use. Any gain or loss arising on 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 recognized in other operating income or operating expenses in the consolidated income statement. The accounting policies of impairment of property and equipment are included in Note 2.19 Impairment of tangible and intangible assets other than goodwill.

2.13 Land use rights

Land use rights are classified in Right-of-use assets and amortized over a straight-line basis over their authorized useful lives.

2.14 Foreclosed assets

Foreclosed financial assets are initially recognized at fair value, and foreclosed non-financial assets are initially measured at the fair value of the waived creditors' rights and other costs such as taxes directly attributable to the assets. At the end of each reporting period, foreclosed non-financial assets are measured at the lower of their carrying amount and fair value, less costs to sell. When the fair value, less costs to sell, is lower than a foreclosed non-financial asset's carrying amount, an impairment loss is recognized in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated income statement in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

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2 Summary of significant accounting policies *(continued)*

2.15 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 expenditure incurred for the investment property is 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 expenditure can be measured reliably. Other subsequent expenditure is recognized in the consolidated income statement in the period in which they are incurred.

Investment properties are measured using the cost model. Depreciation and amortization is recognized the same way as property and equipment and land use rights.

The accounting policies of impairment of investment property are included in Note 2.19 Impairment of tangible and intangible assets other than goodwill.

Where an impairment loss subsequently reverses, the carrying amount of the investment property is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

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 income statement.

2.16 Leases

(1) Identifying 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(continued)*

2.16 Leases *(continued)*

(2) Lessee

At the commencement date, the Group recognises a right-of-use asset and a lease liability.

The Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs incurred by the lessee;
- An estimate of costs to be incurred 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.

The Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments include in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- Fixed payments, less any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

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2 Summary of significant accounting policies *(continued)*

2.16 Leases *(continued)*

(3) Recognition exemptions

The Group elects not to apply the requirements above to:

- Short-term leases;
- Lease for which the underlying asset is of low value.

The Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

(4) 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. An operating lease is a lease other than a finance lease.

(a) Operating leases

The Group recognises lease payments from operating leases as income on a straight-line basis, and recognises costs, including depreciation, incurred in earning the lease income as an expense. The Group adds initial direct costs incurred in obtaining an operating lease to the carrying amount of the underlying asset and recognise those costs as an expense over the lease term on the same basis as the lease income.

(b) Finance leases

At the commencement date, the Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease.

2.17 Cash and cash equivalents

Cash and cash equivalents include cash at bank and on hand, unrestricted balances held with central banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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2 Summary of significant accounting policies *(continued)*

2.18 Intangible assets

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortization and any accumulated impairment loss. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives which generally range from 5 to 20 years.

Intangible assets with indefinite useful lives are not amortized, but are subject to annual impairment assessment.

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 recognized in the consolidated income statement.

2.19 Impairment of tangible and intangible assets other than goodwill

At the end of each 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. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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 recognized in the consolidated income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount had no impairment loss been recognized. A reversal of an impairment loss is recognized in the consolidated income statement.

2.20 Dividend distribution

Dividend distribution to the Bank's ordinary equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the ordinary equity holders in the annual general meeting of the Bank.

As authorized by the ordinary equity holders in the annual general meeting, the Board of Directors has the sole discretion to declare and distribute dividends on preference shares and perpetual bonds. Preference shares and perpetual bonds dividend distribution is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the Board of Directors of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 Summary of significant accounting policies *(continued)*

2.21 Provisions

Provisions are recognized 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.

2.22 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

2.23 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. 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

2 Summary of significant accounting policies *(continued)*

2.23 Financial guarantee contracts and loan commitments *(continued)*

For loan commitments and financial guarantee contracts, the loss allowance is recognized 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 recognized 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 recognized as a provision.

2.24 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable. The Group's contingent liabilities are disclosed in Note 6 Contingent liabilities and commitments.

A provision is recognized when it meets the criteria as set forth in Note 2.21 Provisions.

2.25 Related parties

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

a has control or joint control over the Group;

b has significant influence over the Group; or

c is a member of the key management personnel of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

2 Summary of significant accounting policies *(continued)*

2.25 Related parties *(continued)*

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

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

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

c Both entities are joint ventures of the same third party;

d One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

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

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

2.26 Operating segment

The Group determines its operating segments on the basis of its internal organisational structure, management requirements and internal reporting practices.

An operating segment is a component of the Group that meets all the following requirements: (i) it engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (ii) its operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (iii) separate financial information is available. The operating segments that meet the specified criteria have been aggregated, and the operating segment that meets quantitative thresholds have been reported separately.

The reports on an operating segment are consistent with those internal reports submitted to the chief operating decision maker.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Significant accounting estimates and judgements

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions that affect the carrying amounts of assets and liabilities. The estimates and related assumptions are based on historical experience and other relevant factors including reasonable expectations for future events.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in future periods as appropriate.

The following are the critical judgments and key estimates management has made in the process of applying the Group's accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next twelve months.

3.1 Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (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 10.2 Credit risk.

3.2 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 borrowing 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

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

3 Significant accounting estimates and judgements *(continued)*

3.3 Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, forcign currency rates and implied option volatilities, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3.4 Taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

3.5 Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgement on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 Significant accounting estimates and judgements *(continued)*

3.6 Derecognition of financial assets

In its normal course of business, the Group transfers its financial assets through various types of transactions including regular way sales and transfers, securitization, financial assets sold under repurchase agreements, securities lending. The Group applies significant judgement in assessing whether it has transferred these financial assets which qualify for a full or partial derecognition.

Where the Group enters into structured transactions by which it transfers financial assets to structured entities, the Group analyses whether the substance of the relationship between the Group and these structured entities indicates that it controls these structured entities to determine whether the Group needs to consolidate these structured entities. This will determine whether the following derecognition analysis should be conducted at the consolidated level or at the entity level from which the financial assets are transferred.

The Group analyses the contractual rights and obligations in connection with such transfers to determine whether the derecognition criteria are met based on the following considerations:

- whether it has transferred the rights to receive contractual cash flows from the financial assets or the transfer qualifies for the "pass through" of those cash flows to independent third parties.

- the extent to which the associated risks and rewards of ownership of the financial assets are transferred. Significant judgment is applied in the Group's estimation with regard to the cash flows before and after the transfers and other factors that affect the outcomes of Group's assessment on the extent that risks and rewards are transferred.

- where the Group has neither retained nor transferred substantially all of the risks and rewards associated with their ownership, the Group analyses whether it has relinquished its controls over these financial assets by assessing whether the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer, and if the Group has continuing involvement in these transferred financial assets. Where the Group has not retained control, it derecognizes these financial assets and recognizes separately as assets or liabilities any rights and obligations created or retained in the transfer. Otherwise the Group continues to recognize these financial assets to the extent of its continuing involvement in the financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements

4.1 Net interest income

	Year ended 31 December	
	2021	2020
Interest income arising from:		
Loans and advances to customers	**197,251**	200,351
Including: Corporate loans and advances	**94,100**	100,556
Personal loans and advances	**95,864**	91,939
Discounted bills	**7,287**	7,856
Financial investments	**58,529**	64,402
Including: Financial assets measured at amortised cost	**44,503**	47,116
Financial assets at fair value through other comprehensive income	**14,026**	17,286
Long-term receivables	**7,902**	6,840
Placements with banks and other financial institutions	**6,868**	8,402
Balances with central bank	**5,150**	5,306
Financial assets held under resale agreements	**1,616**	788
Balances with banks and other financial institutions	**363**	504
Subtotal	**277,679**	286,593
Interest expense arising from:		
Deposits from customers	**(83,457)**	(84,767)
Deposits and placements from banks and other financial institutions	**(30,881)**	(27,468)
Debt securities issued	**(23,352)**	(24,330)
Borrowings from central bank	**(8,796)**	(8,010)
Borrowings from banks and other financial institutions and others	**(3,641)**	(4,120)
Financial assets sold under repurchase agreements	**(1,361)**	(2,215)
Lease liabilities	**(416)**	(459)
Subtotal	**(151,904)**	(151,369)
Net interest income	**125,775**	135,224
Of which:		
Interest income from impaired loans and advances to customers	**1,174**	1,018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.2 Net fee and commission income

	Year ended 31 December	
	2021	2020
Fee and commission income		
Bank card services	**11,473**	11,469
Custodian and other fiduciary services	**10,476**	6,213
Agency services	**6,422**	8,434
Settlement services	**2,001**	2,881
Credit commitments	**1,773**	2,104
Others	**990**	2,012
Subtotal	**33,135**	33,113
Fee and commission expense	**(5,569)**	(5,449)
Net fee and commission income	**27,566**	27,664

4.3 Net trading gain

	Year ended 31 December	
	2021	2020
Net gain from interest rate products	**2,017**	3,397
Net gain from foreign exchange and foreign exchange product	**461**	1,147
Others	**632**	(332)
Total	**3,110**	4,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.4 Net gain from investment securities

	Year ended 31 December	
	2021	2020
Financial assets at fair value through profit or loss	**5,409**	10,506
Financial assets at fair value through other comprehensive income	**1,193**	3,049
Financial assets measured at amortised cost	**744**	(184)
Others	**–**	23
Total	**7,346**	13,394

4.5 Net other operating income

	Year ended 31 December	
	2021	2020
Operating leases income	**3,969**	3,030
Operating leases costs	**(2,302)**	(2,252)
Others	**90**	535
Total	**1,757**	1,313

4.6 Operating expenses

	Year ended 31 December	
	2021	2020
Staff costs, including directors' emoluments		
– Salaries, bonuses, allowances and subsidies payables	**28,612**	26,264
– Post-employment benefits-defined contribution plan	**2,403**	1,978
Depreciation and amortisation	**5,665**	5,823
Short-term lease expenses, low-value lease expenses and property management expenses	**843**	735
Tax and surcharges	**1,949**	2,051
Office expenses, business expenses and others	**11,709**	13,634
Total	**51,181**	50,485

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.7 Credit impairment losses

	Year ended 31 December	
	2021	2020
Loans and advances to customers	**58,660**	76,990
Financial assets measured at amortised cost	**14,115**	9,684
Financial assets at fair value through other comprehensive income	**577**	1,200
Long-term receivables	**2,845**	1,083
Other receivables	**571**	3,403
Others	**630**	628
Total	**77,398**	92,988

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.8 Directors and supervisors' emoluments

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows:

For the year ended 31 December 2021 (in thousands of RMB)

	Year ended 31 December 2021			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Gao Yingxin[(i)(ii)]	3,918	107	–	4,025
Zhang Hongwei	935	–	–	935
Lu Zhiqiang	935	–	–	935
Liu Yonghao	935	–	–	935
Zheng Wanchun[(i)(ii)]	3,483	107	–	3,590
Shi Yuzhu	815	–	–	815
Wu Di	905	–	–	905
Song Chunfeng[(iii)]	–	–	–	–
Weng Zhenjie	875	–	–	875
Yang Xiaoling[(iv)]	745	–	–	745
Zhao Peng[(iv)]	850	–	–	850
Liu Jipeng	950	–	–	950
Li Hancheng	1,055	–	–	1,055
Xie Zhichun	990	–	–	990
Peng Xuefeng	890	–	–	890
Liu Ningyu	1,108	–	–	1,108
Qu Xinjiu[(iv)]	920	–	–	920
Yuan Guijun[(i)(ii)(iv)]	3,178	107	–	3,285
Zhang Juntong[(i)(ii)]	3,191	107	–	3,298
Yang Yu[(i)(ii)(iv)]	205	10	–	215
Lu Zhongnan	760	–	–	760
Zhao Linghuan	685	–	–	685
Li Yu	770	–	–	770
Wang Yugui	760	–	–	760
Zhao Fugao[(iii)]	75	–	–	75
Zhang Liqing	710	–	–	710
Gong Zhijian[(iv)]	296	10	–	306
Guo Dong[(v)]	2,947	99	–	3,046
Li Jian[(v)]	3,015	90	–	3,105

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.8 Directors and Supervisors' emoluments *(continued)*

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows (continued):

(i) The Bank deferrals part of the performance remuneration of the Executive Director, the Chairman of the Supervisory Board and the Vice-chairman of the Supervisory Board, which is not included in the above disclosure. Refer to Note 9 for deferred payment matters.

(ii) The emoluments before tax of Executive Directors, the Chairman and Vice Chairman of the Supervisory Board are pending for the approval of the Compensation and Remuneration Committee of the Board of Directors, the Bank will make further disclosure upon approval. The amount of the emoluments not accrued is not expected to have significant impacts on the Group's 2021 financial statements.

(iii) Since April 2020, Mr. Song ChunFeng has not received the remuneration of directors.

Since February 2021, Mr. Zhao FuGao has not received the supervisor's salary.

(iv) Mr. Yang XiaoLing's qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

Mr. Zhao Peng's qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in June 2021.

Mr. Qu XinJiu's qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

In January 2021, Mr. Yuan GuiJun was newly elected as the executive director of the Bank, and his qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in March 2021.

In November 2021, Mr. Yang Yu, Mr. Gong ZhiJian were newly elected as the supervisors of the Bank.

(v) In November 2021, Mr. Guo Dong and Mr. Li Jian retired the supervisors of the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.8 Directors and Supervisors' emoluments *(continued)*

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows (continued):

For the year ended 31 December 2020 (in thousands of RMB)

	Year ended 31 December 2020			
	Basic salaries, allowances and other benefits	Contributions to pension schemes	Discretionary bonus	Total
Gao Yingxin[(i)(ii)]	2,207	48	930	3,185
Zhang Hongwei	940	–	–	940
Lu Zhiqiang	925	–	–	925
Liu Yonghao	935	–	–	935
Zheng Wanchun[(i)]	4,082	107	2,463	6,652
Shi Yuzhu	820	–	–	820
Wu Di	885	–	–	885
Song Chunfeng	208	–	–	208
Weng Zhenjie	835	–	–	835
Yang Xiaoling[(ii)]	130	–	–	130
Zhao Peng[(ii)]	145	–	–	145
Liu Jipeng	885	–	–	885
Li Hancheng	990	–	–	990
Xie Zhichun	915	–	–	915
Peng Xuefeng	905	–	–	905
Liu Ningyu	950	–	–	950
Qu Xinjiu[(ii)]	155	–	–	155
Zhang Juntong[(i)]	3,887	107	1,615	5,609
Guo Dong[(i)]	3,476	107	1,148	4,731
Lu Zhongnan	755	–	–	755
Zhao Linghuan[(ii)]	120	–	–	120
Li Yu[(ii)]	140	–	–	140
Wang Yugui	755	–	–	755
Zhao Fugao	750	–	–	750
Zhang Liqing[(ii)]	130	–	–	130
Li Jian[(ii)]	3,471	85	–	3,556
Hong Qi[(iii)]	2,902	63	1,036	4,001
Tian Suning[(iii)]	745	–	–	745
Wang Jiazhi[(iii)]	152	–	–	152
Wang Hang[(iii)]	615	–	–	615
Zhang Bo[(iii)]	565	–	–	565
Bao Jiming[(iii)]	565	–	–	565

4 Notes to the consolidated financial statements *(continued)*

4.8 Directors and Supervisors' emoluments *(continued)*

(1) The aggregate of the emoluments before individual income tax in respect of the directors and supervisors who held office during the year is as follows (continued):

(i) The Bank deferrals part of the performance remuneration of the Executive Director, the Chairman of the Supervisory Board and the Vice-chairman of the Supervisory Board, which is not included in the above disclosure. Refer to Note 9 for deferred payment matters.

(ii) The total pre-tax remuneration of the executive director, chairman of the Board of Supervisors and vice-chairman of the Board of Supervisors on full salary of the Bank has been approved by the Compensation and Appraisal Committee of the Board of Directors. The bank has made a supplementary disclosure in the Supplementary Announcement of China Minsheng Banking Corporation Limited on The Company's Executive Compensation in 2020. The relevant compensation amounts have been restated.

(iii) In June 2020, Mr. Gao YingXin was newly elected as the executive director and the chairman of the board of the Bank, and his qualifications for the post of director was approved by the China Banking and Insurance Regulatory Commission in July 2020.

In October 2020, Mr. Yang XiaoLing was newly elected as the director of the Bank.

In October 2020, Mr. Zhao Peng was newly elected as the director of the Bank.

In October 2020, Mr. Qu XinJiu was newly elected as the director of the Bank.

In October 2020, Mr. Zhao LingHuan, Mr. Li Yu and Mr. Zhang LiQing were newly elected as the supervisors of the Bank.

In March 2020, Mr. Li Jian was newly elected as the supervisor of the Bank.

(iv) In June 2020, Mr. Hong Qi retired and resigned as the executive director and the chairman of the board of the Bank. He continued to perform duties until July 2020.

In October 2020, due to the expiration of his term of office, Mr. Tian ShuoNing was no longer serve as the director of the Bank.

In March 2020, Mr. Wang JiaZhi retired and resigned as the supervisor of the Bank.

In October 2020, due to the expiration of their term of office, Mr. Wang Hang, Mr. Zhang Bo and Mr. Bao JiMing were no longer serve as the supervisors of the Bank.

4 Notes to the consolidated financial statements *(continued)*

4.8 Directors and Supervisors' emoluments *(continued)*

(2) None of the five individuals with the highest emoluments for the year ended 31 December 2021 were directors or supervisors of the Bank (2020: None of the five individuals with the highest emoluments were directors or supervisors of the Bank). The aggregate of the emoluments in respect of the five individuals during the year was as follows(in thousands of RMB):

	Year ended 31 December	
	2021	2020
Basic salaries, allowances and benefits	**3,199**	13,053
Contributions to pension schemes	**347**	452
Discretionary bonus	**50,428**	25,598
Total	**53,974**	39,103

The number of the five highest paid individuals whose emoluments fell within the following bands is set out below:

	Year ended 31 December	
	2021	2020
From RMB6,000,001 to RMB10,000,000	**2**	5
From RMB10,000,001 to RMB14,000,000	**3**	–

The Group had not paid any emoluments to the directors or supervisors or any of the five highest-paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.9 Income tax expense

	Year ended 31 December	
	2021	2020
Current tax for the year	**3,204**	14,333
Deferred tax (Note 4.21)	**(2,457)**	(12,729)
Total	**747**	1,604

Reconciliation between income tax expense and accounting profit of the Group is listed as follows:

	Note	Year ended 31 December	
		2021	2020
Profit before income tax		**35,600**	36,706
Income tax at the tax rate of 25%		**8,900**	9,177
Effect of non-taxable income	(1)	**(9,252)**	(7,469)
Effect of non-deductible expenses	(2)	**1,679**	413
Effect of tax adjustment for prior year		**(42)**	53
Others		**(538)**	(570)
Income tax expense		**747**	1,604

(1) The non-taxable income mainly represents interest income arising from PRC government bonds and municipal bonds, which are exempted from income tax.

(2) It mainly includes tax effects of losses written-off that are not deductible before tax, as well as business entertainment expenses and deposit insurance premiums in excess of their respective pre-tax deductible limits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity shareholders of the Bank by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share is calculated by dividing the adjusted profit attributable to ordinary equity shareholders of the Bank based on assuming conversion of all dilutive potential shares for the period by the adjusted weighted average number of ordinary shares in issue.

The Bank issued non-cumulative preference shares in 2016. The Bank issued non-cumulative preference shares and perpetual bonds in 2019 and 2021 respectively under the terms and conditions as detailed in Note 4.33 Preference Shares and Note 4.34 Perpetual Bonds.

The conversion feature of the preference shares is considered to fall within contingently issuable ordinary shares. The triggering events of conversion did not occur as at 31 December 2021 and 31 December 2020, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculation.

	Year ended 31 December	
	2021	2020
Profit for the year attributable to equity holders of the Bank	**34,381**	34,309
Less: profit for the year attributable to other equity instrument holders of the Bank	**(3,328)**	(3,337)
Net profit attributable to ordinary equity holders of the Bank	**31,053**	30,972
Weighted average number of ordinary shares in issue (in millions)	**43,782**	43,782
Basic/Diluted earnings per share (in RMB)	**0.71**	0.71

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.11 Cash and balances with central bank

	31 December 2021	31 December 2020
Cash	**5,292**	5,360
Balances with central bank		
Mandatory reserve deposits	**313,375**	330,874
Surplus reserve deposits	**41,093**	63,799
Fiscal deposits and others	**1,409**	1,343
Subtotal	**355,877**	396,016
Interest accrued	**133**	149
Total	**361,302**	401,525

The Group places mandatory reserve deposits with the PBOC or local regulator. The mandatory reserve deposits are not available for use in the Group's daily business.

As at 31 December 2021 the mandatory reserve deposits rate applicable to domestic branches of the Bank for RMB deposits is 8.0% (31 December 2020: 9.0%) and the reserve rate for foreign currency deposits is 9.0% (31 December 2020: 5.0%). The amount of mandatory reserve deposits of the subsidiaries and overseas branches of the Group are determined by local jurisdiction.

Surplus reserve deposits maintained with the PBOC is for the purposes of clearing interbank transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.12 Balances with banks and other financial institutions

	31 December 2021	31 December 2020
China mainland		
– Banks	**40,181**	24,049
– Other financial institutions	**4,950**	4,861
Subtotal	**45,131**	28,910
Overseas		
– Banks	**46,808**	23,583
– Other financial institutions	**552**	196
Subtotal	**47,360**	23,779
Interest accrued	**63**	57
Less: allowance for impairment losses	**(8)**	(662)
Total	**92,546**	52,084

For the years ended 31 December 2021 and 2020, the movements in carrying amount of book value and the impairment loss allowances of balances with banks and other financial institutions between stages were insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.13 Placements with banks and other financial institutions

	31 December 2021	31 December 2020
China mainland		
– Banks	**7,885**	9,911
– Other financial institutions	**138,194**	191,696
Subtotal	**146,079**	201,607
Overseas		
– Banks	**10,626**	18,309
– Other financial institutions	**3,412**	2,641
Subtotal	**14,038**	20,950
Interest accrued	**240**	323
Less: allowance for impairment losses	**(1,589)**	(972)
Total	**158,768**	221,908

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the consolidated financial statements *(continued)*

4.13 Placements with banks and other financial institutions *(continued)*

Movements in allowance for impairment losses of placements with banks and other financial institutions

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	**(233)**	**–**	**(739)**	**(972)**
Transfer:				
to stage 3	**5**	**–**	**(5)**	**–**
Net reversal/(charge)	**(183)**	**–**	**(434)**	**(617)**
Balance as at 31 December 2021	**(411)**	**–**	**(1,178)**	**(1,589)**

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(178)	(325)	–	(503)
Transfer:				
to stage 3	–	325	(325)	–
Net charge	(55)	–	(414)	(469)
Balance as at 31 December 2020	(233)	–	(739)	(972)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the consolidated financial statements *(continued)*

4.14 Derivatives

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including forwards, swaps and options.

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

(1) The notional amount and fair value of unexpired derivative financial instruments held by the Group are set out in the following tables:

	31 December 2021		
	Notional amount	**Fair value**	
		Assets	**Liabilities**
Foreign exchange derivatives	**2,611,330**	**24,790**	**(21,468)**
Interest rate derivatives	**1,422,507**	**1,047**	**(903)**
Precious metal derivatives	**59,693**	**1,521**	**(3,641)**
Others	**6,467**	**103**	**(102)**
Total		**27,461**	**(26,114)**

	31 December 2020		
	Notional amount	Fair value	
		Assets	Liabilities
Foreign exchange derivatives	1,940,939	39,988	(37,279)
Interest rate derivatives	1,399,900	1,193	(1,497)
Precious metal derivatives	47,559	869	(3,673)
Others	1,666	235	(226)
Total		42,285	(42,675)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.14 Derivatives *(continued)*

(2) Hedges

	Note	31 December 2021 Notional amount	Fair value Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	**4,272**	**96**	**–**
Fair value hedges				
– Interest Rate swap contracts	(b)	**13,235**	**98**	**(26)**
Total			**194**	**(26)**

	Note	31 December 2020 Notional amount	Fair value Assets	Liabilities
Cash flow hedges				
– Currency swap contracts	(a)	5,827	504	–
Fair value hedges				
– Interest rate swap contracts	(b)	6,087	–	(103)
Total			504	(103)

(a) The Group uses foreign exchange swaps to hedge against cash flow fluctuations arising from its exposures to foreign exchange risks. The hedged items include foreign bond investments of the Group, loans and advances denominated in foreign currencies, and foreign currency lending to other banks and financial institutions. For the years ended 31 December 2021 and 2020, the accumulative profit or loss recognised in other comprehensive income arising from fair value changes of cash flow hedging instruments was not significant.

(b) The Group uses interest rate swaps to hedge against changes in fair value of fixed rate bonds. For the year ended 31 December 2021 and for the year ended 31 December 2020, the fair value changes of hedging instruments, the net gain or loss of hedged items and ineffective part of fair value hedging recognised in fair value changes were not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.14 Derivatives *(continued)*

(3) Credit risk weighted amount

	31 December 2021	31 December 2020
Credit risk weighted amount for counterparty	**20,712**	14,945

The credit risk weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the CBIRC. The amount calculated is dependent on, among other factors, the credit worthiness of the counterparty and the maturity characteristics of each type of contract. The credit risk weighted amounts stated above have taken the effects of netting arrangements into account.

4.15 Financial assets held under resale agreements

Financial assets held under resale agreements are listed as follows according to collateral:

	31 December 2021	31 December 2020
Bonds	**823**	17,025
Discounted bills	**–**	3,821
Others	**541**	601
Subtotal	**1,364**	21,447
Interest accrued	**18**	21
Less: allowance for impairment losses	**(20)**	(4)
Total	**1,362**	21,464

For the years ended 31 December 2021 and 2020, the transfer of book value and the allowance for impairment losses of financial assets held under resale agreements between stages were insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.16 Loans and advances to customers

	Note	31 December 2021	31 December 2020
Measured at amortised cost:			
Corporate loans and advances			
– Corporate loans		**2,017,910**	2,023,823
Personal loans and advances			
– Residential mortgage		**595,468**	515,296
– Micro lending	(1)	**577,327**	511,365
– Credit cards		**472,077**	462,309
– Others		**96,459**	107,671
Gross Balance		**1,741,331**	1,596,641
Less: allowance for impairment losses		**(103,806)**	(96,542)
Subtotal		**3,655,435**	3,523,922
Measured at fair value through other comprehensive income:			
Corporate loans and advances			
– Corporate loans		**5,577**	5,608
– Discounted bills		**280,874**	227,859
Subtotal		**286,451**	233,467
Interest accrued		**25,793**	24,908
Total		**3,967,679**	3,782,297

(1) Micro lending is a loan product offered to the micro enterprise owners and proprietors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.16 Loans and advances to customers *(continued)*

(1) Loans and advances to customers (excluding interest accrued) analysed by types of collateral

	31 December 2021		31 December 2020	
	Amount	**(%)**	Amount	(%)
Unsecured loans	**1,010,309**	**24.97**	947,468	24.58
Guaranteed loans	**670,747**	**16.58**	661,727	17.17
Loans secured by				
– Tangible assets other than monetary assets	**1,739,357**	**42.99**	1,686,307	43.76
– Monetary assets	**625,279**	**15.46**	558,429	14.49
Total	**4,045,692**	**100.00**	3,853,931	100.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.16 Loans and advances to customers *(continued)*

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

	31 December 2021				
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured loans	**9,618**	**12,522**	**3,873**	**1,011**	**27,024**
Guaranteed loans	**7,152**	**5,923**	**2,240**	**1,145**	**16,460**
Loans secured by					
Tangible assets other than monetary assets	**13,454**	**14,093**	**9,389**	**2,096**	**39,032**
– Monetary assets	**171**	**2,441**	**2,293**	**304**	**5,209**
Total	**30,395**	**34,979**	**17,795**	**4,556**	**87,725**
% of total loans and advances to customers	**0.75**	**0.87**	**0.44**	**0.11**	**2.17**

	31 December 2020				
	Less than 3 months	3 months to 1 year	1 to 3 years	More than 3 years	Total
Unsecured loans	14,521	10,665	7,880	1,028	34,094
Guaranteed loans	3,639	5,183	2,842	1,153	12,817
Loans secured by					
– Tangible assets other than monetary assets	6,587	8,851	6,197	2,281	23,916
– Monetary assets	1,591	3,844	1,288	538	7,261
Total	26,338	28,543	18,207	5,000	78,088
% of total loans and advances to customers	0.68	0.75	0.47	0.13	2.03

Overdue loans represent loans of which the principal or interest are overdue for 1 day or more.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.16 Loans and advances to customers *(continued)*

(3) Movements in allowance for impairment losses

(a) Movements in allowance for impairment losses of loans and advances to customers measured at amortised cost are as follows:

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	**(23,048)**	**(29,725)**	**(43,769)**	**(96,542)**
Transfer:				
to stage 1	**(1,084)**	**749**	**335**	**–**
to stage 2	**2,292**	**(4,346)**	**2,054**	**–**
to stage 3	**612**	**7,234**	**(7,846)**	**–**
Net reversal/(charge)	**1,038**	**(10,975)**	**(48,000)**	**(57,937)**
Write-offs and transfer out	**–**	**–**	**54,324**	**54,324**
Recoveries of amounts previously written off	**–**	**–**	**(5,204)**	**(5,204)**
Others	**(7)**	**(13)**	**1,573**	**1,553**
Balance as at 31 December 2021	**(20,197)**	**(37,076)**	**(46,533)**	**(103,806)**

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(25,536)	(21,714)	(35,225)	(82,475)
Transfer:				
to stage 1	(786)	576	210	–
to stage 2	1,375	(2,796)	1,421	–
to stage 3	577	3,441	(4,018)	–
Net reversal/(charge)	1,267	(9,287)	(69,253)	(77,273)
Write-offs and transfer out	–	–	66,316	66,316
Recoveries of amounts previously written off	–	–	(4,388)	(4,388)
Others	55	55	1,168	1,278
Balance as at 31 December 2020	(23,048)	(29,725)	(43,769)	(96,542)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.16 Loans and advances to customers *(continued)*

(3) Movements in allowance for impairment losses *(continued)*

(b) Movements in allowance for impairment losses of loans and advances to customers at fair value through other comprehensive income are as follows:

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	**(496)**	**–**	**(599)**	**(1,095)**
Transfer:				
to stage 3	**1**	**–**	**(1)**	**–**
Net reversal/(charge)	**209**	**(104)**	**(828)**	**(723)**
Transfer out	**–**	**–**	**516**	**516**
Balance as at 31 December 2021	**(286)**	**(104)**	**(912)**	**(1,302)**

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(989)	–	(1,183)	(2,172)
Transfer:				
to stage 3	5	–	(5)	–
Net reversal/(charge)	488	–	(205)	283
Write-offs	–	–	794	794
Balance as at 31 December 2020	(496)	–	(599)	(1,095)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.17 Financial investments

	Note	31 December 2021	31 December 2020
Financial assets at fair value through profit or loss	(1)	**300,684**	322,480
Financial assets at fair value through other comprehensive income	(2)	**435,529**	470,122
Financial assets measured at amortised cost	(3)	**1,298,220**	1,328,048
Total		**2,034,433**	2,120,650

(1) Financial assets at fair value through profit or loss

	Note	31 December 2021	31 December 2020
Held for trading purpose			
Debt securities			
Government		**4,512**	1,960
Policy banks		**12,686**	9,149
Banks and non-bank financial institutions		**15,353**	21,734
Corporates		**32,268**	40,814
Subtotal		**64,819**	73,657
Equity investments		**2,012**	6,146
Investment funds	(a)	**13,694**	19,681
Subtotal		**80,525**	99,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.17 Financial investments *(continued)*

(1) Financial assets at fair value through profit or loss *(continued)*

	Note	31 December 2021	31 December 2020
Other financial assets at fair value through profit or loss			
Debt securities			
Corporates		**964**	1,194
Banks and non-bank financial institutions		**2,660**	–
Equity investments		**25,267**	33,042
Investment funds	(a)	**177,317**	171,063
Trust and asset management plans	(b)	**12,860**	12,343
Wealth management products		**–**	4,197
Others		**1,091**	1,157
Subtotal		**220,159**	222,996
Total		**300,684**	322,480
Listed		**65,297**	75,944
– Of which: listed in Hong Kong		**8,237**	22,395
Unlisted		**235,387**	246,536
Total		**300,684**	322,480

Debt securities traded in China Domestic Interbank Bond Market are classified as listed bonds.

(a) As at 31 December 2021 and 31 December 2020, the investment funds primarily include public bond funds and public money market funds.

(b) As at 31 December 2021 and 31 December 2020, the underlying assets of trust and asset management plans primarily include bonds and others (Note 10.2 (9)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.17 Financial investments *(continued)*

(2) Financial assets at fair value through other comprehensive income

	31 December 2021	31 December 2020
Debt securities		
Government	**112,163**	118,461
Policy banks	**55,571**	69,485
Banks and non-bank financial institutions	**126,751**	105,634
Corporates	**127,390**	166,546
Subtotal	**421,875**	460,126
Equity investments	**8,325**	4,030
Interest accrued	**5,329**	5,966
Total	**435,529**	470,122
Listed	**396,269**	442,267
– Of which: listed in Hong Kong	**41,619**	51,236
Unlisted	**33,931**	21,889
Interest accrued	**5,329**	5,966
Total	**435,529**	470,122

The Group designates certain non-trading equity investments as financial assets at fair value through other comprehensive income. For the year ended 31 December 2021, dividend income of RMB28 million (for the year ended 31 December 2020: RMB14 million) recognised for such equity investments was included in the profit or loss. The impact of gain on disposal of other equity investments at fair value through other comprehensive income was not significant for the year ended 31 December 2021 (for the year ended 31 December 2020: insignificant).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.17 Financial investments *(continued)*

(2) Financial assets at fair value through other comprehensive income *(continued)*

Fair value

	31 December 2021	31 December 2020
Debt securities		
Cost	**430,426**	470,660
Cumulative amount of change in fair value that is accrued to other comprehensive income	**(3,222)**	(4,568)
Fair value	**427,204**	466,092
Equity investment		
Cost	**8,327**	3,991
Cumulative amount of change in fair value that is accrued to other comprehensive income	**(2)**	39
Fair value	**8,325**	4,030
Total	**435,529**	470,122

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.17 Financial investments *(continued)*

(2) Financial assets at fair value through other comprehensive income *(continued)*

Movements in allowance for impairment losses

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	**(1,292)**	**(11)**	**(826)**	**(2,129)**
Transfer:				
to stage 2	**5**	**(5)**	**–**	**–**
to stage 3	**1**	**–**	**(1)**	**–**
Net reversal/(charge)	**620**	**(68)**	**(1,129)**	**(577)**
Write-offs and transfer out	**–**	**–**	**72**	**72**
Others	**10**	**–**	**51**	**61**
Balance as at 31 December 2021	**(656)**	**(84)**	**(1,833)**	**(2,573)**

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(996)	–	(66)	(1,062)
Transfer:				
to stage 2	2	(2)	–	–
to stage 3	10	1	(11)	–
Net charge	(319)	(10)	(871)	(1,200)
Write-offs and transfer out	–	–	130	130
Others	11	–	(8)	3
Balance as at 31 December 2020	(1,292)	(11)	(826)	(2,129)

As at 31 December 2021, the financial assets at fair value through other comprehensive income included credit-impaired financial assets of which carrying amount was RMB635 million (31 December 2020: RMB1,054 million), with allowance for impairment losses of RMB1,833 million (31 December 2020: RMB826 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the consolidated financial statements *(continued)*

4.17 Financial investments *(continued)*

(3) Financial assets measured at amortised cost

	Note	31 December 2021	31 December 2020
Debt securities			
Government		**886,728**	843,626
Policy banks		**44,839**	12,048
Banking and non-banking financial institutions		**43,006**	117,971
Corporates		**219,172**	197,781
Subtotal		**1,193,745**	1,171,426
Trust and asset management plans	(a)	**87,596**	139,747
Debt financing plans		**12,817**	8,141
Others		**2,446**	2,609
Interest accrued		**16,242**	16,200
Less: allowance for impairment losses		**(14,626)**	(10,075)
Total		**1,298,220**	1,328,048
Listed		**1,191,474**	1,115,917
– Of which: listed in Hong Kong		**1,935**	1,693
Unlisted		**105,130**	206,006
Interest accrued		**16,242**	16,200
Less: allowance for impairment losses		**(14,626)**	(10,075)
Total		**1,298,220**	1,328,048

(a) As at 31 December 2021 and 31 December 2020, the underlying assets of trust and asset management plans primarily are credit assets (Note 10.2 (9)).

4 Notes to the consolidated financial statements *(continued)*

4.17 Financial investments *(continued)*

(3) Financial assets measured at amortised cost *(continued)*

Movements in allowance for impairment losses

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	**(2,618)**	**(37)**	**(7,420)**	**(10,075)**
Transfer				
to stage 2	**112**	**(112)**	**–**	**–**
to stage 3	**12**	**34**	**(46)**	**–**
Net reversal/(charge)	**694**	**(381)**	**(14,428)**	**(14,115)**
Write-offs and transfer out	**–**	**–**	**9,573**	**9,573**
Others	**(9)**	**–**	**–**	**(9)**
Balance as at 31 December 2021	**(1,809)**	**(496)**	**(12,321)**	**(14,626)**

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(2,054)	(265)	(1,794)	(4,113)
Transfer:				
to stage 2	10	(10)	–	–
to stage 3	17	262	(279)	–
Net charge	(591)	(24)	(9,069)	(9,684)
Write-offs and transfer out	–	–	3,712	3,712
Others	–	–	10	10
Balance as at 31 December 2020	(2,618)	(37)	(7,420)	(10,075)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the consolidated financial statements *(continued)*

4.18 Long-term receivables

	Note	31 December 2021	31 December 2020
Finance lease receivables	(1)	**142,383**	150,054
Less: unearned finance lease income		**(15,504)**	(17,932)
Present value of minimum finance lease receivables		**126,879**	132,122
Less: allowance for impairment losses	(2)	**(4,163)**	(4,269)
Total		**122,716**	127,853

(1) Finance lease receivables are analysed by the remaining terms as follows:

	Note	31 December 2021	31 December 2020
Indefinite	(a)	**8,297**	5,295
Less than 1 year		**64,259**	56,235
1 year to 2 years		**31,031**	38,957
2 years to 3 years		**17,506**	20,855
3 years to 5 years		**13,008**	15,128
More than 5 years		**8,282**	13,584
Total		**142,383**	150,054

(a) The amount represents the balances being impaired or overdue for more than one month.

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4 Notes to the consolidated financial statements *(continued)*

4.18 Long-term receivables *(continued)*

(2) Movements in allowance for impairment losses of long-term receivables:

	Year ended 31 December 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Balance as at 1 January 2021	**(1,177)**	**(1,826)**	**(1,266)**	**(4,269)**
Transfer:				
to stage 1	**(108)**	**51**	**57**	**–**
to stage 2	**100**	**(100)**	**–**	**–**
to stage 3	**31**	**851**	**(882)**	**–**
Net charge	**(385)**	**(294)**	**(2,166)**	**(2,845)**
Write-offs and transfer out	**–**	**–**	**2,835**	**2,835**
Others	**36**	**68**	**12**	**116**
Balance as at 31 December 2021	**(1,503)**	**(1,250)**	**(1,410)**	**(4,163)**

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(1,051)	(1,739)	(1,153)	(3,943)
Transfer:				
to stage 1	(9)	9	–	–
to stage 2	5	(5)	–	–
to stage 3	7	166	(173)	–
Net charge	(129)	(350)	(604)	(1,083)
Write-offs and transfer out	–	93	664	757
Balance as at 31 December 2020	(1,177)	(1,826)	(1,266)	(4,269)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the consolidated financial statements *(continued)*

4.19 Property and equipment

	31 December 2021	31 December 2020
Property and equipment	**53,461**	51,123
Property and equipment to be disposed	**5**	6
Total	**53,466**	51,129

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.19 Property and equipment *(continued)*

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2021	21,114	4,285	8,634	491	36,175	2,946	73,645
Increase	1,177	435	659	22	4,619	1,258	8,170
CIP transfers	1	-	-	-	-	(1)	-
Decrease	(43)	(585)	(588)	(43)	(2,479)	-	(3,738)
Balance as at 31 December 2021	22,249	4,135	8,705	470	38,315	4,203	78,077
Accumulated depreciation							
Balance as at 1 January 2021	(5,059)	(2,913)	(6,917)	(408)	(6,955)	-	(22,252)
Increase	(677)	(536)	(500)	(25)	(1,742)	-	(3,480)
Decrease	7	589	557	41	425	-	1,619
Balance as at 31 December 2021	(5,729)	(2,860)	(6,860)	(392)	(8,272)	-	(24,113)
Impairment losses							
Balance as at 1 January 2021	-	-	-	-	(270)	-	(270)
Increase	-	-	-	-	(236)	-	(236)
Decrease	-	-	-	-	3	-	3
Balance as at 31 December 2021	-	-	-	-	(503)	-	(503)
Carrying amount							
Balance as at 1 January 2021	16,055	1,372	1,717	83	28,950	2,946	51,123
Balance as at 31 December 2021	16,520	1,275	1,845	78	29,540	4,203	53,461

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.19 Property and equipment *(continued)*

	Buildings	Leasehold improvement	Office equipment and others	Motor vehicles	Operating lease fixed assets	Construction in progress ("CIP")	Total
Original cost							
Balance as at 1 January 2020	19,742	4,351	8,819	502	35,444	3,336	72,194
Increase	671	521	559	26	4,493	375	6,645
CIP transfers	724	-	-	-	-	(724)	-
Decrease	(23)	(587)	(744)	(37)	(3,762)	(41)	(5,194)
Balance as at 31 December 2020	21,114	4,285	8,634	491	36,175	2,946	73,645
Accumulated depreciation							
Balance as at 1 January 2020	(4,365)	(2,886)	(7,043)	(414)	(5,893)	-	(20,601)
Increase	(695)	(606)	(579)	(29)	(1,776)	-	(3,685)
Decrease	1	579	705	35	714	-	2,034
Balance as at 31 December 2020	(5,059)	(2,913)	(6,917)	(408)	(6,955)	-	(22,252)
Impairment losses							
Balance as at 1 January 2020	-	-	-	-	(236)	-	(236)
Increase	-	-	-	-	(127)	-	(127)
Decrease	-	-	-	-	93	-	93
Balance as at 31 December 2020	-	-	-	-	(270)	-	(270)
Carrying amount							
Balance as at 1 January 2020	15,377	1,465	1,776	88	29,315	3,336	51,357
Balance as at 31 December 2020	16,055	1,372	1,717	83	28,950	2,946	51,123

As at 31 December 2021 and 31 December 2020, the Group did not have any property and equipment which were acquired by means of finance lease or held for sale.

As at 31 December 2021, there were still certain properties and buildings, with a carrying value of RMB487 million (31 December 2020: RMB888 million), in the process of registration for certificates of ownership. The management believes such proceedings would not weaken the Group's rights to these assets nor have any significant impact on the Group's operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.20 Lease contract

(1) Right-of-use assets

	Buildings	Motor vehicles	Office equipment and Others	Land use rights	Total
Original cost					
Balance as at 1 January 2021	**15,984**	**359**	**64**	**4,643**	**21,050**
Increase	**3,531**	**–**	**6**	**3**	**3,540**
Decrease	**(1,838)**	**(359)**	**(6)**	**–**	**(2,203)**
Balance as at 31 December 2021	**17,677**	**–**	**64**	**4,646**	**22,387**
Accumulated depreciation/ amortization					
Balance as at 1 January 2021	**(5,441)**	**(97)**	**(20)**	**(1,161)**	**(6,719)**
Increase	**(3,053)**	**(136)**	**(7)**	**(116)**	**(3,312)**
Decrease	**1,513**	**233**	**3**	**–**	**1,749**
Balance as at 31 December 2021	**(6,981)**	**–**	**(24)**	**(1,277)**	**(8,282)**
Carrying amount					
Balance as at 1 January 2021	**10,543**	**262**	**44**	**3,482**	**14,331**
Balance as at 31 December 2021	**10,696**	**–**	**40**	**3,369**	**14,105**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.20 Lease contract *(continued)*

(1) Right-of-use assets *(continued)*

	Buildings	Motor vehicles	Office equipment and Others	Land use rights	Total
Original cost					
Balance as at 1 January 2020	13,578	355	25	4,484	18,442
Increase	3,571	6	44	159	3,780
Decrease	(1,165)	(2)	(5)	–	(1,172)
Balance as at 31 December 2020	15,984	359	64	4,643	21,050
Accumulated depreciation/ amortization					
Balance as at 1 January 2020	(2,765)	(93)	(6)	(1,033)	(3,897)
Increase	(3,309)	(5)	(16)	(128)	(3,458)
Decrease	633	1	2	–	636
Balance as at 31 December 2020	(5,441)	(97)	(20)	(1,161)	(6,719)
Carrying amount					
Balance as at 1 January 2020	10,813	262	19	3,451	14,545
Balance as at 31 December 2020	10,543	262	44	3,482	14,331

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.20 Lease contract *(continued)*

(2) Lease liabilities

	31 December 2021	31 December 2020
Lease liabilities	**10,225**	10,267

As at 31 December 2021, the Group's lease payments relating to lease contracts signed but yet to be executed amounted to RMB53 million (31 December 2020: RMB82 million).

4.21 Deferred income tax assets and liabilities

(1) Deferred income tax items

	31 December 2021	31 December 2020
Deferred income tax assets	**51,904**	50,033
Deferred income tax liabilities	**(247)**	(117)
Total	**51,657**	49,916

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.21 Deferred income tax assets and liabilities *(continued)*

(2) Deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	31 December 2021		31 December 2020	
	Deferred income tax assets/ (liabilities)	**Deductible/ (taxable) temporary differences**	Deferred income tax assets/ (liabilities)	Deductible/ (taxable) temporary differences
Deferred income tax assets				
Asset impairment allowance	**49,521**	**198,088**	47,682	190,728
Employee benefits payable	**3,136**	**12,544**	2,639	10,556
Fair value losses of derivatives	**6,500**	**26,000**	10,586	42,344
Fair value losses of financial assets at fair value through other comprehensive income	**106**	**424**	676	2,704
Financial assets at fair value through profit or loss	**484**	**1,936**	205	820
Others	**399**	**1,618**	328	1,312
Subtotal	**60,146**	**240,610**	62,116	248,464
Deferred income tax liabilities				
Fair value gains of derivatives	**(6,817)**	**(27,267)**	(10,445)	(41,780)
Fair value gain of financial assets at fair value through other comprehensive income	**(322)**	**(1,288)**	(184)	(736)
Financial assets at fair value through profit or loss	**(1,054)**	**(4,215)**	(1,432)	(5,728)
Others	**(296)**	**(1,186)**	(139)	(556)
Subtotal	**(8,489)**	**(33,956)**	(12,200)	(48,800)
Deferred income tax assets, net	**51,657**	**206,654**	49,916	199,664

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.21 Deferred income tax assets and liabilities *(continued)*

(3) Movements in deferred income tax assets and liabilities without taking into consideration the offsetting of balances within the same tax jurisdiction are as follows:

	Asset impairment allowance	Fair value changes	Others	Gross deferred income tax assets	Gross deferred income tax liabilities
Balance as at 1 January 2021	**47,682**	**11,467**	**2,967**	**62,116**	**(12,200)**
Recognised in profit or loss	**1,839**	**(3,802)**	**568**	**(1,395)**	**3,852**
Recognised in other comprehensive income	**–**	**(575)**	**–**	**(575)**	**(141)**
Balance as at 31 December 2021	**49,521**	**7,090**	**3,535**	**60,146**	**(8,489)**
Balance as at 1 January 2020	38,462	5,036	2,851	46,349	(10,424)
Recognised in profit or loss	9,220	5,743	116	15,079	(2,350)
Recognised in other comprehensive income	–	688	–	688	574
Balance as at 31 December 2020	47,682	11,467	2,967	62,116	(12,200)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.22 Investment in subsidiaries

(1) Directly held subsidiaries

	31 December 2021	31 December 2020
Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing")	**3,302**	3,302
CMBC International Holdings Limited ("CMBC International")	**3,494**	2,494
Minsheng Royal Fund Limited ("Minsheng Royal Fund")	**190**	190
Pengzhou Rural Bank Co., Ltd. ("Pengzhou Rural Bank")	**20**	20
Cixi Rural Bank Co., Ltd. ("Cixi Rural Bank")	**107**	107
Songjiang Rural Bank Co., Ltd. ("Songjiang Rural Bank")	**70**	70
Qijiang Rural Bank Co., Ltd. ("Qijiang Rural Bank")	**30**	30
Tongnan Rural Bank Co., Ltd. ("Tongnan Rural Bank")	**25**	25
Meihekou Rural Bank Co., Ltd. ("Meihekou Rural Bank")	**169**	169
Ziyang Rural Bank Co., Ltd. ("Ziyang Rural Bank")	**172**	172
Jiangxia Rural Bank Co., Ltd. ("Jiangxia Rural Bank")	**41**	41
Changyuan Rural Bank Co., Ltd. ("Changyuan Rural Bank")	**26**	26
Yidu Rural Bank Co., Ltd. ("Yidu Rural Bank")	**26**	26
Jiading Rural Bank Co., Ltd. ("Jiading Rural Bank")	**102**	102
Zhongxiang Rural Bank Co., Ltd. ("Zhongxiang Rural Bank")	**36**	36
Penglai Rural Bank Co., Ltd. ("Penglai Rural Bank")	**51**	51
Anxi Rural Bank Co., Ltd. ("Anxi Rural Bank")	**74**	74

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.22 Investment in subsidiaries *(continued)*

(1) Directly held subsidiaries *(continued)*

	31 December 2021	31 December 2020
Funing Rural Bank Co., Ltd. ("Funing Rural Bank")	**52**	52
Taicang Rural Bank Co., Ltd. ("Taicang Rural Bank")	**76**	76
Ningjin Rural Bank Co., Ltd. ("Ningjin Rural Bank")	**20**	20
Zhangpu Rural Bank Co., Ltd. ("Zhangpu Rural Bank")	**25**	25
Puer Rural Bank Co., Ltd. ("Puer Rural Bank")	**15**	15
Jinghong Rural Bank Co., Ltd. ("Jinghong Rural Bank")	**60**	60
Zhidan Rural Bank Co., Ltd. ("Zhidan Rural Bank")	**7**	7
Ningguo Rural Bank Co., Ltd. ("Ningguo Rural Bank")	**20**	20
Yuyang Rural Bank Co., Ltd. ("Yuyang Rural Bank")	**25**	25
Guichi Rural Bank Co., Ltd. ("Guichi Rural Bank")	**26**	26
Tiantai Rural Bank Co., Ltd. ("Tiantai Rural Bank")	**31**	31
Tianchang Rural Bank Co., Ltd. ("Tianchang Rural Bank")	**20**	20
Tengchong Rural Bank Co., Ltd. ("Tengchong Rural Bank")	**20**	20
Xiang'an Rural Bank Co., Ltd. ("Xiang'an Rural Bank")	**36**	36
Linzhi Rural Bank Co., Ltd. ("Linzhi Rural Bank")	**13**	13
Total	**8,381**	7,381

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.22 Investment in subsidiaries *(continued)*

(2) Basic information of directly held subsidiaries

Name	Note	Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Minsheng Financial Leasing		Tianjin China	Leasing	RMB 5,095 million	54.96%	54.96%
CMBC International	(a)	Hong Kong China	Investment banking	HKD 4,207.3 million	100.00%	100.00%
Minsheng Royal Fund		Guangdong China	Fund management	RMB 300 million	63.33%	63.33%
Pengzhou Rural Bank	(b)	Sichuan China	Commercial bank	RMB 55 million	36.36%	36.36%
Cixi Rural Bank		Zhejiang China	Commercial bank	RMB 189 million	64.68%	64.68%
Songjiang Rural Bank	(b)	Shanghai China	Commercial bank	RMB 150 million	35.00%	35.00%
Qijiang Rural Bank	(c)	Chongqing China	Commercial bank	RMB 61.57 million	48.73%	51.27%
Tongnan Rural Bank	(b)	Chongqing China	Commercial bank	RMB 50 million	50.00%	50.00%
Meihekou Rural Bank		Jilin China	Commercial bank	RMB 193 million	95.36%	95.36%
Ziyang Rural Bank		Sichuan China	Commercial bank	RMB 211 million	81.41%	81.41%
Jiangxia Rural Bank		Hubei China	Commercial bank	RMB 86 million	51.00%	51.00%
Changyuan Rural Bank		Henan China	Commercial bank	RMB 50 million	51.00%	51.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.22 Investment in subsidiaries *(continued)*

(2) Basic information of directly held subsidiaries *(continued)*

Name	Note	Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Yidu Rural Bank		Hubei China	Commercial bank	RMB 52.4 million	51.00%	51.00%
Jiading Rural Bank		Shanghai China	Commercial bank	RMB 200 million	51.00%	51.00%
Zhongxiang Rural Bank		Hubei China	Commercial bank	RMB 70 million	51.00%	51.00%
Penglai Rural Bank		Shandong China	Commercial bank	RMB 100 million	51.00%	51.00%
Anxi Rural Bank		Fujian China	Commercial bank	RMB 128 million	57.99%	57.99%
Funing Rural Bank		Jiangsu China	Commercial bank	RMB 85 million	51.00%	51.00%
Taicang Rural Bank		Jiangsu China	Commercial bank	RMB 135 million	51.00%	51.00%
Ningjin Rural Bank		Hebei China	Commercial bank	RMB 40 million	51.00%	51.00%
Zhangpu Rural Bank		Fujian China	Commercial bank	RMB 50 million	51.00%	51.00%
Puer Rural Bank		Yunnan China	Commercial bank	RMB 30 million	51.00%	51.00%
Jinghong Rural Bank		Yunnan China	Commercial bank	RMB 75 million	80.40%	80.40%
Zhidan Rural Bank		Shaanxi China	Commercial bank	RMB 15 million	51.00%	51.00%

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For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.22 Investment in subsidiaries *(continued)*

(2) Basic information of directly held subsidiaries *(continued)*

Name	Note	Place of incorporation and operation	Principal activities	Registered capital	% of ownership held by the Bank	% of voting rights held by the Bank
Ningguo Rural Bank		Anhui China	Commercial bank	RMB 40 million	51.00%	51.00%
Yuyang Rural Bank	(d)	Shaanxi China	Commercial bank	RMB 50 million	51.00%	51.00%
Guichi Rural Bank		Anhui China	Commercial bank	RMB 50 million	51.00%	51.00%
Tiantai Rural Bank		Zhejiang China	Commercial bank	RMB 60 million	51.00%	51.00%
Tianchang Rural Bank		Anhui China	Commercial bank	RMB 40 million	51.00%	51.00%
Tengchong Rural Bank		Yunnan China	Commercial bank	RMB 48 million	51.00%	51.00%
Xiang'an Rural Bank		Fujian China	Commercial bank	RMB 70 million	51.00%	51.00%
Linzhi Rural Bank		Tibet China	Commercial bank	RMB 25 million	51.00%	51.00%

(a) In 2021, the Bank increased the capital of CMBC International by HKD 1,207.3 million, and the paid-up capital of CMBC International increased from HKD 3,000 million to HKD 4,207.3 million. As at 31 December 2021, the Bank held 100% of CMBC International.

(b) Although the Bank holds half or less than half of the voting rights in these rural banks, it has the majority of the seats in their boards of directors, which enables it to govern their operating policies. These companies are treated as the Bank's subsidiaries and have been consolidated in these financial statements.

(c) Some natural person shareholders and the Bank signed a concerted action agreement, stipulating that the parties should take "concerted action" in the general meeting of shareholders. Therefore, the Bank acquires control over Qijiang Rural Bank and classifies the investment in Qijiang Rural Bank as investment in a subsidiary.

(d) In 2020, Yuyang Rural Bank converted RMB4 million retained earnings to paid-up capital through the distribution of new shares, and increased its paid-in capital from RMB50 million to RMB54 million. After the increase of capital, the Bank's ownership of equity shares and voting rights in this subsidiary remains at 51%. As at 31 December 2021, the registered capital of Yuyang Rural Bank was still RMB50 million as it had not completed the registration of changes with industry and commerce authorities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.22 Investment in subsidiaries *(continued)*

(3) Investment in associates

	31 December 2021	31 December 2020
Investment in associates	**2**	2

4.23 Other assets

	Note	31 December 2021	31 December 2020
Items in the process of clearance and settlement		**13,384**	12,728
Interest receivable	(1)	**7,822**	8,240
Investment properties		**5,655**	6,429
Foreclosed assets	(2)	**5,471**	6,180
Prepayments for leased assets	(3)	**5,279**	8,280
Other debt receivables and advances		**4,518**	5,423
Fee and commission receivable		**3,351**	3,685
Intangible assets	(4)	**1,917**	1,456
Prepayment		**1,669**	1,060
Legal costs receivable		**1,245**	1,378
Continuously involved assets		**1,038**	1,038
Long-term deferred expenses		**586**	146
Goodwill	(5)	**188**	193
Operating lease receivable		**163**	471
Others		**5,631**	5,230
Subtotal		**57,917**	61,937
Less: allowance for impairment losses			
– Repossessed assets		**(731)**	(131)
– Others		**(3,333)**	(3,916)
Total		**53,853**	57,890

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.23 Other assets *(continued)*

(1) Interest receivable

	31 December 2021	31 December 2020
Loans and advances to customers	**6,000**	5,671
Financial investments and others	**1,822**	2,569
Total	**7,822**	8,240

(2) Foreclosed assets include buildings, land use rights and machineries and equipment. The Group disposed repossessed assets of RMB1,588 million for the year ended 31 December 2021 (Year ended 31 December 2020: RMB4,066 million).

(3) Prepayments for leased assets are the prepayments made by the Group for acquiring leased assets under finance leases and operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements (continued)

4.23 Other assets *(continued)*

(4) Intangible assets

	Year ended 31 December 2021	Year ended 31 December 2020
Cost		
Balance as at 1 January	**5,576**	4,837
Increase	**1,087**	739
Decrease	**(4)**	–
Balance as at 31 December	**6,659**	5,576
Accumulated amortization		
Balance as at 1 January	**(4,120)**	(3,581)
Increase	**(625)**	(539)
Decrease	**3**	–
Balance as at 31 December	**(4,742)**	(4,120)
Carrying amount		
Balance as at 1 January	**1,456**	1,256
Balance as at 31 December	**1,917**	1,456

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.23 Other assets *(continued)*

(5) Goodwill arising from CMBC Financial holdings

	Year ended 31 December 2021	Year ended 31 December 2020
Balance as at 1 January	**193**	206
Exchange difference	**(5)**	(13)
Balance as at 31 December	**188**	193

As at 31 December 2021 and 31 December 2020, the Group was not aware of any indicators for the possibility of goodwill impairment, hence no impairment loss was recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (continued)

4.24 Allowances for impairment losses

		Year ended 31 December 2021				
	Note 4	Balances as at 1 January 2021	Net charge for the year	Write-offs and transfer out	Other	Balance as at 31 December 2021
Balances with banks and other financial institutions	12	**662**	**4**	**(658)**	**–**	**8**
Placements with banks and other financial institutions	13	**972**	**617**	**–**	**–**	**1,589**
Financial assets held under resale agreements	15	**4**	**16**	**–**	**–**	**20**
Loans and advances to customers	16	**97,637**	**58,660**	**(54,840)**	**3,651**	**105,108**
Financial investments	17	**12,204**	**14,692**	**(9,645)**	**(52)**	**17,199**
Long-term receivables	18	**4,269**	**2,845**	**(2,835)**	**(116)**	**4,163**
Property and equipment	19	**270**	**236**	**–**	**(3)**	**503**
Other assets	23	**4,047**	**1,695**	**(1,640)**	**(38)**	**4,064**
Total		**120,065**	**78,765**	**(69,618)**	**3,442**	**132,654**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.24 Allowances for impairment losses *(continued)*

		Year ended 31 December 2020				
	Note 4	Balances as at 1 January 2020	Net charge for the year/ (Reversal)	Write-offs and transfer out	Other	Balances as at 31 December 2020
Balances with banks and other financial institutions	12	346	316	–	–	662
Placements with banks and other financial institutions	13	503	469	–	–	972
Financial assets held under resale agreements	15	9	(5)	–	–	4
Loans and advances to customers	16	84,647	76,990	(67,110)	3,110	97,637
Financial investments	17	5,175	10,884	(3,842)	(13)	12,204
Long-term receivables	18	3,943	1,083	(757)	–	4,269
Property and equipment	19	236	127	(93)	–	270
Other assets	23	1,879	5,126	(2,953)	(5)	4,047
Total		96,738	94,990	(74,755)	3,092	120,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements (continued)

4.25 Deposits and placements from banks and other financial institutions

	31 December 2021	31 December 2020
China mainland		
Banks	**168,846**	315,476
Other financial institutions	**1,054,415**	665,224
Overseas		
Banks	**26,297**	51,308
Other financial institutions	**37,523**	33,397
Subtotal	**1,287,081**	1,065,405
Interest accrued	**7,277**	4,316
Total	**1,294,358**	1,069,721

4.26 Borrowings from banks and other financial institutions

	31 December 2021	31 December 2020
Unsecured borrowings	**96,859**	108,917
Borrowings secured by		
– Tangible assets and monetary assets	**16,853**	21,262
Subtotal	**113,712**	130,179
Interest accrued	**749**	839
Total	**114,461**	131,018

As at 31 December 2021 and 31 December 2020, the secured borrowings were secured by property and equipment and finance lease receivables as collateral; the above collateral has been included in the disclosure of Assets pledged (Note 6.3(1)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements (continued)

4.27 Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements by underlying assets are shown as follows:

	31 December 2021	31 December 2020
Bonds	**12,828**	43,714
Discounted bills	**23,537**	21,192
Including: bills rediscounted	**23,537**	18,403
Subtotal	**36,365**	64,906
Interest accrued	**120**	412
Total	**36,485**	65,318

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.28 Deposits from customers

	31 December 2021	31 December 2020
Demand deposits		
– Corporate customers	**1,215,239**	1,287,743
– Personal customers	**248,459**	243,780
Time deposits (including call and notice deposits)		
– Corporate customers	**1,728,774**	1,673,874
– Personal customers	**576,964**	514,932
Certificates of deposit	**3,365**	2,929
Outward remittance and remittance payables	**2,960**	4,916
Subtotal	**3,775,761**	3,728,174
Interest accrued	**49,932**	39,977
Total	**3,825,693**	3,768,151

The pledged deposits included in deposits from customers are analysed as follows:

	31 December 2021	31 December 2020
Pledged deposits for bank acceptances	**121,906**	96,282
Pledged deposits for letters of credit and guarantees	**17,663**	16,742
Other pledged deposits	**53,510**	52,269
Total	**193,079**	165,293

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (continued)

4.29 Provisions

	31 December 2021	31 December 2020
Credit loss of off-balance sheet credit commitments	**1,834**	1,885
Litigation provision	**343**	136
Others	**73**	–
Total	**2,250**	2,021

The movements of credit loss of off-balance sheet assets are as follows:

	Year ended 31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2021	**(1,619)**	**(221)**	**(45)**	**(1,885)**
Transfer:				
to stage 1	**(61)**	**42**	**19**	**–**
to stage 2	**58**	**(138)**	**80**	**–**
to stage 3	**14**	**1**	**(15)**	**–**
Net reversal/(charge)	**323**	**(208)**	**(122)**	**(7)**
Other movements	**58**	**–**	**–**	**58**
Balance as at 31 December 2021	**(1,227)**	**(524)**	**(83)**	**(1,834)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.29 Provisions *(continued)*

The movements of credit loss of off-balance sheet assets are as follows (continued):

	Year ended 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2020	(1,407)	(22)	(24)	(1,453)
Transfer:				
to stage 1	(8)	5	3	–
to stage 2	9	(10)	1	–
to stage 3	4	6	(10)	–
Net charge	(179)	(200)	(15)	(394)
Others	(38)	–	–	(38)
Balance as at 31 December 2020	(1,619)	(221)	(45)	(1,885)

4.30 Debt securities issued

	Note	31 December 2021	31 December 2020
Certificates of interbank deposit		**497,558**	713,953
Financial bonds	(1)	**79,998**	83,992
Tier-two capital bonds	(2)	**119,967**	139,951
Medium-term and short-term notes	(3)	**10,161**	12,056
Subordinated bonds	(4)	**–**	3,996
Subtotal		**707,684**	953,948
Interest accrued		**3,340**	3,932
Total		**711,024**	957,880

For the years ended 31 December 2021 and 2020, there were no overdue principal and interest or other defaults with respect to these bonds. None of these bonds are secured.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.30 Debt securities issued *(continued)*

(1) Financial bonds

	Note	31 December 2021	31 December 2020
RMB 30 billion-3-year fixed rate financial bonds 2021	(a)	**30,000**	–
RMB 30 billion-3-year fixed rate financial bonds 2021	(b)	**29,999**	–
RMB 20 billion-3-year fixed rate financial bonds 2020	(c)	**19,999**	19,998
RMB 20 billion-3-year fixed rate financial bonds 2018	(d)	–	19,998
RMB 40 billion-3-year fixed rate financial bonds 2018	(e)	–	39,997
RMB 4 billion-3-year fixed rate financial bonds 2018	(f)	–	3,999
Total		**79,998**	83,992

(a) RMB30 billion worth of fixed-rate financial bonds were issued at 8 December 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.

(b) RMB30 billion worth of fixed-rate financial bonds were issued at 10 November 2021, with a term of three years, and a fixed coupon rate of 3.02% per annum.

(c) RMB20 billion worth of fixed-rate financial bonds were issued at 18 March 2020, with a term of three years, and a fixed coupon rate of 2.75% per annum.

(d) RMB20 billion worth of fixed-rate financial bonds were issued at 12 December 2018, with a term of three years, and a fixed coupon rate of 3.76% per annum. The Bank has repaid all of them on 14 December 2021.

(e) RMB40 billion worth of fixed-rate financial bonds were issued at 19 November 2018, with a term of three years, and a fixed coupon rate of 3.83% per annum. The Bank has repaid all of them on 22 November 2021.

(f) RMB4 billion worth of fixed-rate financial bonds were issued at 21 May 2018, with a term of three years, and a fixed coupon rate of 4.90% per annum. The Bank has repaid all of them on 23 May 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (continued)

4.30 Debt securities issued *(continued)*

(2) Tier-two capital bonds

	Note	31 December 2021	31 December 2020
RMB 50 billion-10-year fixed rate tier-two capital bonds 2020	(a)	**49,995**	49,999
RMB 40 billion-10-year fixed rate tier-two capital bonds 2019 1st tranche	(b)	**39,994**	39,993
RMB 15 billion-10-year fixed rate tier-two capital bonds 2017 1st tranche	(c)	**14,989**	14,987
RMB 15 billion-10-year fixed rate tier-two capital bonds 2017 2nd tranche	(d)	**14,989**	14,987
RMB 20 billion-10-year fixed rate tier-two capital bonds 2016	(e)	–	19,985
Total		**119,967**	139,951

(a) Tier-two capital bonds with a nominal value of RMB50 billion, a term of 10 years, and a fixed coupon rate of 3.75% per annum, were issued at 24 June 2020. The Bank has an option to redeem all or part of the bonds at par value during the period from the last day of the fifth year to the maturity date.

(b) Tier-two capital bonds with a nominal value of RMB40 billion, a term of 10 years, and a fixed coupon rate of 4.48% per annum, were issued at 27 February 2019. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(c) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued at 12 September 2017 as the 1st tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(d) Tier-two capital bonds with a nominal value of RMB15 billion, a term of 10 years, and a fixed coupon rate of 4.70% per annum, were issued at 27 November 2017 as the 2nd tranche. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date.

(e) Tier-two capital bonds with a nominal value of RMB20 billion, a term of 10 years, and a fixed coupon rate of 3.50% per annum, were issued at 30 August 2016. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the fifth year to the maturity date. The Bank has repaid all of them on 31 August 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (continued)

4.30 Debt securities issued *(continued)*

(3) Medium-term and short-term notes

	Note	31 December 2021	31 December 2020
2020-3-year medium-term notes	(a)	**3,182**	3,262
2018-5-year medium-term notes	(b)	**3,824**	3,910
2017-5-year medium-term notes	(c)	**2,231**	2,280
2021 short-term notes	(d)	**924**	–
2018-3-year medium-term notes	(e)	**–**	2,604
Total		**10,161**	12,056

(a) Medium-term notes with a nominal value of USD0.5 billion of medium-term notes were issued on 22 October 2020, with a term of 3 years. The coupon rate is 1.03%.

(b) Medium-term notes with a nominal value of USD0.6 billion of medium-term notes were issued at 9 March 2018, with a term of 5 years. The coupon rate is 1.25%.

(c) Medium-term notes with a nominal value of USD0.35 billion of medium-term notes were issued at 11 September 2017, with a term of 5 years. The coupon rate is 1.20%.

(d) Three short-term notes with total nominal value of USD0.15 billion of short-term notes were issued in 2021. The original maturities of the notes vary from 3 months to 1 year, and the interest rate range is 1.00%-1.80%.

(e) Medium-term notes with a nominal value of USD0.4 billion of medium-term notes were issued at 9 March 2018, with a term of 3 years. The coupon rate is 3.50%. The Bank repaid all of them on 9 March 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements (continued)

4.30 Debt securities issued *(continued)*

(4) Subordinated bonds

	Note	31 December 2021	31 December 2020
RMB 4 billion-15-year subordinated fixed rate bonds 2011	(a)	–	3,996

(a) Subordinated bonds with a nominal value of RMB4 billion, a term of 15 years and a fixed coupon rate of 5.70% per annum, were issued at 18 March 2011. The Bank has an option to redeem all or part of the subordinated bonds at par value during the period from the last day of the tenth year to the maturity date. The Bank repaid all of them on 18 March 2021.

According to the issuance terms, the claims of the holders of subordinated bonds will be subordinated to the claims of general creditors, but prioritized over other equity instrument holders.

4.31 Other liabilities

	Note	31 December 2021	31 December 2020
Employee benefits payable	(1)	**12,907**	10,877
Items in the process of clearance and settlement		**8,773**	9,374
Lease payments received in advance		**8,334**	9,642
Notes payable		**6,410**	3,330
Other tax payable	(2)	**4,674**	4,390
Other payable		**2,406**	–
Output value added tax to be transferred		**2,054**	2,124
Continuously involved liabilities		**1,038**	1,038
Accrued expenses		**879**	836
Deferred fee and commission income		**671**	790
Intermediate collection and payment		**669**	1,225
Payable for long-term assets		**328**	430
Dividend payable		**53**	3
Others		**4,740**	3,524
Total		**53,936**	47,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (continued)

4.31 Other liabilities *(continued)*

(1) Employee benefits payable

	1 January 2021	Increase	Decrease	31 December 2021
Short-term employee benefits				
– Salaries, bonuses and allowances	**10,347**	**24,136**	**(22,088)**	**12,395**
– Staff welfare fees	**–**	**1,601**	**(1,601)**	**–**
– Social insurance(a) and supplementary insurance	**162**	**953**	**(955)**	**160**
– Housing fund	**127**	**1,359**	**(1,388)**	**98**
– Labour union fee, staff and workers' education fee	**34**	**563**	**(557)**	**40**
Subtotal	**10,670**	**28,612**	**(26,589)**	**12,693**
Post-employment benefits -defined contribution plans				
– Basic pension insurance plans	**136**	**1,529**	**(1,541)**	**124**
– Unemployment insurance	**21**	**55**	**(57)**	**19**
– Annuity scheme(b)	**50**	**819**	**(798)**	**71**
Subtotal	**207**	**2,403**	**(2,396)**	**214**
Total	**10,877**	**31,015**	**(28,985)**	**12,907**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.31 Other liabilities *(continued)*

(1) Employee benefits payable *(continued)*

	1 January 2020	Increase	Decrease	31 December 2020
Short-term employee benefits				
– Salaries, bonuses and allowances	10,154	21,164	(20,971)	10,347
– Staff welfare fees	–	2,184	(2,184)	–
– Social insurance(a) and supplementary insurance	126	1,058	(1,022)	162
– Housing fund	160	1,290	(1,323)	127
– Labour union fee, staff and workers' education fee	28	568	(562)	34
Subtotal	10,468	26,264	(26,062)	10,670
Post-employment benefits-defined contribution plans				
– Basic pension insurance plans	118	943	(925)	136
– Unemployment insurance	20	40	(39)	21
– Annuity scheme(b)	57	995	(1,002)	50
Subtotal	195	1,978	(1,966)	207
Total	10,663	28,242	(28,028)	10,877

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements (continued)

4.31 Other liabilities *(continued)*

(1) Employee benefits payable *(continued)*

(a) Social insurance includes medical insurance, maternity insurance and employment injury insurance.

(b) For the year ended 31 December 2021, the contributions to the annuity schemes of the Bank and those subsidiaries were calculated at rates 4% of the employees' total annual salary (2020: 0% to 8%).

The Group has set up a defined contribution plan for its Hong Kong employees in accordance with the contribution rates prescribed by local regulations.

(2) Other tax payable

	31 December 2021	31 December 2020
Value added tax	**3,439**	3,287
Others	**1,235**	1,103
Total	**4,674**	4,390

4.32 Share capital and capital reserve

	31 December 2021	31 December 2020
Ordinary shares listed in China mainland (A shares)	**35,462**	35,462
Ordinary shares listed in Hong Kong (H shares)	**8,320**	8,320
Total shares	**43,782**	43,782

All A shares and H shares are ordinary shares, have a par value of RMB1 per share and rank pari passu with the same rights and benefits.

The Group's capital reserve of RMB58,149 million as at 31 December 2021 (31 December 2020: RMB57,419 million), mainly represents capital premium.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements (continued)

4.33 Preference Shares

(1) Outstanding Preference Shares at 31 December 2021

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	In original currency: Amount million shares	In original currency	In RMB	Maturity	Conversion condition	Conversion
Domestic Preference Shares	15/10/2019	Equity	4.38%	RMB 100/ Share	200	20,000	20,000	None	Mandatory	None
Total							20,000			
Less: Issue fees							(25)			
Book value							19,975			

(2) Offshore Preference Shares Main Clauses

(a) Dividend

Fixed rate for a certain period after issuance. Dividend is reset every 5 years thereafter to the sum of the benchmark rate and the fixed spread. The fixed spread will be equal to the spread between the dividend rate at the time of issuance and the benchmark rate. The fixed spread will remain unchanged throughout the term of the Preference Shares. Dividends will be paid annually.

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference Shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed.

(c) Dividend stopper

If the Bank cancels all or part of the dividends to the Preference Shareholders, the Bank shall not make any dividend distribution to ordinary shareholders before the Bank pays the dividends for the current dividend period to the Preference Shareholders in full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.33 Preference Shares *(continued)*

(2) Offshore Preference Shares Main Clauses *(continued)*

(d) Order of distribution and liquidation method

In current period, the USD Offshore Preference Shareholders are at the same order of compensation. The Preference Shareholders will be subordinated to the depositors, ordinary creditors, holders of subordinated debt, holders of Tier 2 capital bonds, holders of Perpetual Bonds and holders of other Tier 2 capital instruments of the Bank, but will be senior to the ordinary shareholders.

(e) Mandatory conversion trigger events

Upon the occurrence of an Additional Tier 1 Capital Trigger Event (Core Tier 1 Capital Adequacy Ratio of the Bank falling to 5.125% or below), the Bank shall have the right to convert all or part of the Preference Shares into H shares, in order to restore the Core Tier 1 Capital Adequacy Ratio of the Bank to above 5.125%. If Preference Shares were converted to ordinary H shares, it could not be converted to Preference Shares again.

Upon the occurrence of a Non-Viability Trigger Event (Earlier of the two situations: (1) CBIRC has determined that the Bank would become nonviable if there is no conversion or write-down of capital; (2) the relevant authorities have determined that a public sector injection of capital or equivalent support is necessary, without which the Bank would become nonviable), the Bank shall have the right to convert all Preference Shares into H shares without the consent of Preference Shareholders. If Preference Shares were converted to ordinary H shares, it could not be converted to Preference Shares again.

(f) Redemption

Under the premise of obtaining the approval of the CBIRC and condition of redemption, the Bank has right to redeem all or some of offshore preference shares in first call date and subsequent any dividend payment date. The first call date after issuance and subsequent any dividend payment date (redemption price is equal to issue price plus accrued dividend in current period).

The First Redemption Date of USD Preference Shares is five years after issuance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.33 Preference Shares *(continued)*

(2) Offshore Preference Shares Main Clauses *(continued)*

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders.

The Bank shall distribute dividends for the Preference Shares in cash, based on the total amount of the issued and outstanding Preference Shares on the corresponding times (i.e. the product of the issue price of preference shares and the number of the issued and outstanding preference shares).

(3) Domestic Preference Shares Main Clauses

(a) Dividend

The non-public offering of domestic preference shares (the "Domestic Preference Shares") adopts the dividend rate that can be adjusted in stages, with 5 years as a dividend rate adjustment period, and within a dividend rate adjustment period, dividends are paid at the same dividend rate as agreed. The dividend rate for the first dividend rate adjustment period will be determined by enquiry. The dividend rate of the Domestic Preference Shares issued this time shall not be higher than the annual weighted average return on net assets of the Bank in the last two fiscal years. The nominal dividend rate includes two parts: the benchmark interest rate and the fixed premium. The fixed premium is the dividend rate determined at the time of issuance minus the benchmark interest rate at the time of issuance. Dividends are paid annually.

(b) Conditions to distribution of dividends

The Bank could pay dividends while the Bank still has distributable after-tax profit after making up previous years' losses, contributing to the statutory reserve and making general provisions, and the Bank's capital adequacy ratio meets regulatory requirements. Preference shareholders of the Bank are senior to the ordinary shareholders on the right to dividends. The Bank may elect to cancel any dividend, but such cancellation will require a shareholder's resolution to be passed and investors shall be informed in time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.33 Preference Shares *(continued)*

(3) Domestic Preference Shares Main Clauses *(continued)*

(c) Dividend stopper

The Bank will not pay dividends to the common shareholders unless the Bank resolves to pay a full dividend on the current preference shares.

(d) Order of distribution and liquidation method

The Domestic Preference Shareholders have priority over the ordinary shareholders in the distribution of the Bank's remaining property, but the order of repayment is ranked after the depositors, general creditors and subordinated debts (including but not limited to subordinated debts, mixed capital bonds and secondary capital instruments).

(e) Mandatory conversion trigger events

If the core tier one capital adequacy ratio of the Bank falls to 5.125% (or below), the Domestic Preference Shares issued this time will be converted into A-share common shares in full or in part, so as to restore the core tier one capital adequacy ratio to more than 5.125%. In the case of partial conversion, all the Domestic Preference Shares issued this time shall be converted to shares on the same conditions in proportion.

When the earlier of the following two situations occurs, the Domestic Preference Shares issued this time will be converted into A-share common shares in full: (1) CBIRC determines that the Bank will not survive without the conversion; (2) the relevant departments determine that the Bank will not survive without the public sector's capital injection or the support of the same effect.

(f) Redemption

With the prior approval of CBIRC, the Bank may exercise the right of redemption under the following circumstances: (1) use the same or higher quality capital instruments to replace the redeemed Domestic Preference Shares, and the Bank's income ability is sustainable; (2) or the capital level after the exercise of the right of redemption is still significantly higher than the regulatory capital requirements specified by the banking regulatory authority under the State Council. The redemption price is the sum of the nominal amount and the dividend that has been resolved to be paid but has not been paid in the current period.

The Bank has the right to redeem all or part of the Domestic Preference Shares issued this time from the later 5 years of the Issuance Date (i.e. 15 October 2019) to the date of full conversion or full redemption.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.33 Preference Shares *(continued)*

(3) Domestic Preference Shares Main Clauses *(continued)*

(g) Dividend setting mechanism

Non-cumulative dividend is a dividend on preference shares, which does not cumulate upon omission of payment so as to require payment of a passed or omitted dividend of one year out of earnings of a following year. After receiving dividend at agreed dividend rate, preference shareholders of the Bank will not participate the distribution of residual profits with ordinary shareholders. The Domestic Preference Shares holders are prioritised on dividend distribution over common shareholders.

The dividend of the Domestic Preference Shares issued this time shall be paid in cash once a year. The interest starting date is the payment deadline of preference stock investors (18 October 2019). The dividend payment day shall be the day of every full year since the deadline for payment of preference stock investors. In case of any legal holiday or rest day in China, it shall be postponed to the next trading day, and the dividend payable during the extended period shall not be charged with additional interest.

(4) Changes in preference shares outstanding

	1 January 2021		Decrease		31 December 2021	
	Amount (million shares)	Book value	Amount (million shares)	Book value	Amount (million shares)	Book value
Offshore Preference Shares[i]	72	9,892	(72)	(9,892)	–	–
Domestic Preference Shares	200	19,975	–	–	200	19,975

(i) Offshore preference shares have been redeemed on 14 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements *(continued)*

4.34 Perpetual Bonds

(1) Outstanding Perpetual Bonds at 31 December 2021

Financial instrument outstanding	Issue date	Accounting classification	Dividend rate	Issue price	Amount million shares	In original currency	In RMB	Maturity	Conversion condition	Conversion
2019 Undated Tier 1 Capital Bonds	30/05/2019	Equity	4.85%	100 RMB/ Note	400	40,000	40,000	None	None	None
Total							40,000			
Less: Issue fees							(7)			
Book value							39,993			
2021 Undated Tier 1 Capital Bonds - First Tranche	19/04/2021	Equity	4.30%	100 RMB/ Note	300	30,000	30,000	None	None	None
Total							30,000			
Less: Issue fees							(4)			
Book value							29,996			
Total							69,989			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements (continued)

4.34 Perpetual Bonds *(continued)*

(2) Main Clauses

(a) Principal Amount

2019 Undated Tier 1 Capital Bonds RMB40 billion.

2021 Undated Tier 1 Capital Bonds – First Tranche RMB30 billion.

(b) Maturity Date

The Notes will continue to be outstanding so long as the Issuer's business continues to operate.

(c) Distribution Rate

The Distribution Rate of the Notes will be adjusted at defined intervals, with a Distribution Rate Adjustment Period every 5 years since the Payment Settlement Date. In any Distribution Rate Adjusted Period, the Distribution Payments on the Notes will be made at a prescribed fixed Distribution Rate. The Distribution Rate at the time of issuance will be determined by book running and centralized allocation.

The Distribution Rate is determined by a benchmark rate plus a fixed spread. The benchmark rate is the arithmetic average of the yields to maturity of 5 trading days prior to the Announcement Date of the Subscription Agreement, as indicated by the yield to maturity curve of applicable 5-year China Treasury Notes (rounded up to 0.01%) published on www.ChinaBond.com.cn (or other websites approved by the China Central Depository & Clearing Co., Ltd.). The fixed spread is the difference between the Distribution Rate and the benchmark rate as determined at the time of issuance. The fixed spread will not be adjusted once determined.

(d) Conditional Redemption Rights of the Issuer

The Note Issuance sets conditional Redemption Rights for the Issuer. From the fifth anniversary since the Issuance of the Notes, the Issuer may redeem the Notes in whole or in part on each Distribution Payment Date (including the fifth Distribution Payment Date since the Issuance). If, after the Issuance, the Notes no longer qualify as Additional Tier 1 Capital as a result of an unforeseeable change or amendment to relevant provisions of supervisory regulations, the Issuer may redeem all but not some part of the Notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements (continued)

4.34 Perpetual Bonds *(continued)*

(2) Main Clauses *(continued)*

(e) Subordination

The claims in respect of the Notes, in the event of a winding-up of the Issuer, will be subordinated to claims of depositors, general creditors, and subordinated indebtedness that ranks senior to the Notes; will rank in priority to all classes of shares held by the Issuer's shareholders and rank pari passu with the claims in respect of any other Additional Tier 1 Capital instruments of the Issuer that rank pari passu with the Notes. If subsequent amendments to the PRC Enterprise Bankruptcy Law or relevant regulations are applicable, such relevant laws and regulations shall prevail.

(f) Distribution Payment

The Issuer shall have the right to cancel, in whole or in part, distributions on the Notes and any such cancellation shall not constitute an event of default. When exercising such right, the Issuer will take into full consideration the interest of the Noteholders. The Issuer may, at its sole discretion, use the proceeds from the cancelled distributions to meet other obligations as they fall due. Cancellation of any distributions on the Notes, no matter in whole or in part, will not impose any other restriction on the Issuer, except in relation to dividend distributions to ordinary shares. Any cancellation of any distribution on the Notes, no matter in whole or in part, will require the deliberation and approval of the general shareholders meeting. And the Issuer shall give notice to the investors on such cancellation in a timely manner.

The Notes do not have any step-up mechanism or any other incentive to redeem.

(g) Put Option

Put Option is not applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4 Notes to the consolidated financial statements *(continued)*

4.35 Related information attributable to the holders of equity instruments

Preference shares and perpetual bonds issued by the Bank are classified as equity instruments and are listed in the consolidated balance sheet under shareholders' equity. In accordance with the relevant regulations of the CBIRC, the preferred shares and perpetual bonds issued by the Bank has met the criteria for qualifying other Tier 1 capital instruments.

Interests attributable to the holders of equity instruments

	31 December 2021	31 December 2020
Total equity attributable to equity holders of the Bank	**574,280**	529,537
Equity attributable to ordinary equity holders of the Bank	**484,316**	459,677
Equity attributable to other equity holders of the Bank	**89,964**	69,860
Total equity attributable to non-controlling interests	**12,259**	11,711
Equity attributable to non-controlling interests of ordinary shares	**12,259**	11,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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4 Notes to the consolidated financial statements (continued)

4.36 Surplus reserve, general reserve and retained earnings

(1) Surplus reserve

Under the PRC laws, Articles of the Bank and the resolution of the Board of Directors, the Bank is required to appropriate 10% of its net profit, until the statutory surplus reserve reaches 50% of its registered capital. Subject to the approval of the equity shareholders, the statutory surplus reserve can be used for replenishing the accumulated losses or increasing the Bank's share capital. The statutory surplus reserve amount used to increase the share capital is limited to a level where the balance of the statutory surplus reserve after such capitalisation is not less than 25% of the share capital.

The Group appropriated RMB3,364 million statutory surplus reserve for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB3,317 million).

(2) General reserve

Pursuant to the Measures for Managing the Appropriation of Provisions of Financial Enterprises (Cai Jin [2012] No. 20) issued by the MOF, the Bank is required to provide for impairment losses of its assets and set aside a general reserve through the appropriation of net profits to cover potential losses against its assets. The general reserve is part of the equity shareholders' interests and should not be less than 1.5% of the year-end balance of risk-bearing assets.

The Bank's subsidiaries appropriate their profits to the general reserve according to the applicable local regulations.

The Group appropriated RMB414 million of profits to the general reserve for the year ended 31 December 2021 (for the year ended 31 December 2020: RMB4,878 million).

(3) Retained earnings

As at 31 December 2021, the retained earnings included the statutory surplus reserve of RMB728 million contributed by the subsidiaries and attributable to the Bank (31 December 2020: RMB661 million). The surplus reserve of the subsidiaries attributable to the Bank included in the retained earnings cannot be distributed.

4.37 Non-controlling interests

As at 31 December 2021, the non-controlling interests in the subsidiaries were RMB12,259 million (31 December 2020: RMB11,711 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements (continued)

4.38 Dividends/Interests

(1) Dividends for Ordinary Shares

The Board of directors proposed the profit distribution plan for year 2021 in the meeting held on 29 March 2022. The profit distribution plan would distribute cash dividends to registered A-share and H-share shareholders on the equity registration date. The cash dividend declared was RMB2.13 (including tax) for every 10 shares. A total dividend of RMB9,326 million was based on the total number of shares of 43,782 million as at 31 December 2021.

The shareholders approved the cash dividends distribution plan for 2020 at the Annual General Meeting on 11 June 2021. The cash dividends declared was RMB2.13 (tax inclusive) for every 10 shares. A total dividend of RMB9,326 million was based on total number of shares of 43,782 million as at 31 December 2020.

The shareholders approved the cash dividends distribution plan for 2019 at the Annual General Meeting on 29 June 2020. The cash dividends declared was RMB3.70 (tax inclusive) for every 10 shares. A total dividend of RMB16,199 million was based on total number of shares of 43,782 million as at 31 December 2019.

(2) Dividends for Preference Shares

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 27 August 2021, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax). The dividend payment date was 18 October 2021.

According to the resolution on the distribution of dividends for offshore preference shares passed at the Board of Directors' meeting held on 4 August 2021, dividend approved was amounted to RMB512 million (including tax), calculated at the initial annual dividend rate of 4.95% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date was 14 December 2021.

According to the resolution on the distribution of dividends for offshore preference shares passed at the Board of Directors' meeting held on 30 November 2020, dividend approved was amounted to RMB521 million (including tax), calculated at the initial annual dividend rate of 4.95% (after tax) before the first reset date pursuant to the terms and conditions of overseas preference shares. The dividend payment date was 14 December 2020.

According to the resolution on the distribution of dividends for domestic preference shares passed at the Board of Directors' meeting held on 28 August 2020, dividend approved was amounted to RMB876 million (including tax), calculated at the coupon rate of 4.38% (including tax). The dividend payment date was 19 October 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements *(continued)*

4.38 Dividends/Interests *(continued)*

(3) Interests for Perpetual Bonds

On 2 June 2021, the Bank declared interest for 2019 undated tier 1 capital bonds. Interest approved was amounted to RMB1,940 million (tax inclusive), calculated at the initial annual pay-out ratio of 4.85% (tax inclusive) before the first reset date pursuant to the terms and conditions of perpetual bonds.

On 27 May 2020, the Bank declared interest for 2019 undated tier 1 capital bonds. Interest approved was amounted to RMB1,940 million (tax inclusive), calculated at the initial annual pay-out ratio of 4.85% (tax inclusive) before the first reset date pursuant to the terms and conditions of perpetual bonds.

4.39 Investment revaluation reserve and cash flow hedging reserve

Investment revaluation reserve and cash flow hedging reserve attributable to equity holders of the Bank in the consolidated statement of financial position:

	Investment revaluation reserve	**Cash flow hedging reserve**	**Total**
As at 1 January 2021	**(1,740)**	**(24)**	**(1,764)**
Net changes in amount for the year	**2,313**	**17**	**2,330**
As at 31 December 2021	**573**	**(7)**	**566**

	Investment revaluation reserve	Cash flow hedging reserve	Total
As at 1 January 2020	1,822	(3)	1,819
Net changes in amount for the year	(3,562)	(21)	(3,583)
As at 31 December 2020	(1,740)	(24)	(1,764)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 Notes to the consolidated financial statements *(continued)*

4.40 Notes to the consolidated cash flow statement

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows consist of the following:

	31 December 2021	31 December 2020
Cash (Note 4.11)	**5,292**	5,360
Surplus deposit reserves with central bank (Note 4.11)	**41,093**	63,799
Original maturity within 3 months:		
– Balances with banks and other financial institutions	**88,609**	48,559
– Placements with banks and other financial institutions	**28,424**	40,201
Total	**163,418**	157,919

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4 Notes to the consolidated financial statements (continued)

4.41 Transferred financial assets

The Group enters into transactions in the normal course of business whereby it transfers recognized financial assets to third parties or to structured entities. In some cases these transfers may give rise to full or partial de-recognition of the financial assets concerned. In other cases where the transferred assets do not qualify for de-recognition as the Group retains substantially all the risks and rewards of these assets, the Group continues to recognize the transferred assets.

(1) Securitization transactions

The Group enters into securitization transactions by which it transfers loans to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished control over these assets.

For the year ended 31 December 2021, securitisation transactions of RMB7,484 million were transferred by the Group (2020: RMB2,023 million). These transactions were all qualified for full de-recognition concluded by the Group.

(2) Transfer of non-performing financial assets

For the year ended 31 December 2021, the Group transferred non-performing financial assets through disposal to third parties, with gross balance of RMB32,963 million (2020: RMB43,993 million). The Group transferred substantially all the risks and rewards of these non-performing financial assets and therefore has derecognized them.

(3) Securities lending transactions

For debt securities lent to counterparties under securities lending agreements, the counterparties are allowed to sell or re-pledge 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 nil (31 December 2020: RMB100 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 Segment information

The Group conducts business activities in key business lines and geographical regions.

Segment assets, liabilities, revenues, and expenditures are measured following the Group's accounting policies and internal management rules. The items of each segment include those which can be directly attributable to the segment or can be assigned to the segment based on reasonable criteria.

As a part of the management of assets and liabilities, the Group's capital resources are allocated to various business segments through the Treasury Department of the Head Office. The Group's internal transfer pricing mechanism uses market interest rates as the benchmark and determines transfer prices concerning the internal capital pool. The impact of internal trading has been offset when preparing the consolidated statements.

Capital expenditures of each segment refer to spending relating to purchasing fixed assets, intangible assets, and other long-term assets during the reporting period.

5.1 Business segments

(a)	Corporate banking	Providing banking products and services for corporate customers, government agencies and financial institutions. These products and services include corporate deposits, corporate loans, investment business, interbank business, financial markets business and various corporate intermediary business.
(b)	Retail banking	Providing banking products and services for individual clients and small and micro-enterprises. These products and services include loans, credit and debit cards services, wealth management, private banking and various retail intermediary businesses.
(c)	Others	Group's bond investments and money markets transactions which conducted on-demand for liquidity management, and those other businesses which cannot form a single reportable segment and businesses of subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

5 Segment information *(continued)*

5.1 Business segments *(continued)*

	Year ended 31 December 2021			
	Corporate banking	Retail banking	Others	Total
Operating income	**86,686**	**70,391**	**8,477**	**165,554**
Net interest income	**67,930**	**54,659**	**3,186**	**125,775**
Include: inter-segment net interest income/ (expense)	**22,533**	**(22,333)**	**(200)**	**–**
Net fee and commission income	**11,992**	**15,535**	**39**	**27,566**
Net other income	**6,764**	**197**	**5,252**	**12,213**
Operating expenses	**(13,986)**	**(20,178)**	**(17,017)**	**(51,181)**
Credit impairment losses	**(54,724)**	**(22,130)**	**(544)**	**(77,398)**
Other impairment losses	**(1,112)**	**(1)**	**(262)**	**(1,375)**
Profit before income tax	**16,864**	**28,082**	**(9,346)**	**35,600**
Depreciation and amortisation	**2,909**	**2,363**	**2,135**	**7,407**
Capital expenditure	**2,784**	**2,262**	**8,800**	**13,846**

	As at 31 December 2021			
	Corporate banking	Retail banking	Others	Total
Segment assets	**4,475,982**	**1,765,982**	**658,918**	**6,900,882**
Include: Investments in associates				**2**
Deferred income tax assets				**51,904**
Total assets				**6,952,786**
Segment liabilities	**(4,640,062)**	**(945,879)**	**(780,059)**	**(6,366,000)**
Deferred income tax liabilities				**(247)**
Total liabilities				**(6,366,247)**
Credit commitments	**554,808**	**525,796**	**–**	**1,080,604**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

5 Segment information *(continued)*

5.1 Business segments *(continued)*

	Year ended 31 December 2020			
	Corporate banking	Retail banking	Others	Total
Operating income	101,956	71,133	8,718	181,807
Net interest income	72,787	54,512	7,925	135,224
Include: inter-segment net interest income/ (expense)	8,234	(18,198)	9,964	–
Net fee and commission income	11,287	15,959	418	27,664
Net other income	17,882	662	375	18,919
Operating expenses	(15,962)	(19,490)	(15,033)	(50,485)
Credit impairment losses	(62,133)	(29,838)	(1,017)	(92,988)
Other impairment losses	(1,500)	–	(128)	(1,628)
Profit before income tax	22,361	21,805	(7,460)	36,706
Depreciation and amortisation	4,340	3,030	504	7,874
Capital expenditure	1,906	1,330	8,570	11,806

	As at 31 December 2020			
	Corporate banking	Retail banking	Others	Total
Segment assets	4,724,060	1,596,277	579,863	6,900,200
Include: Investments in associates				2
Deferred income tax assets				50,033
Total assets				6,950,233
Segment liabilities	(4,656,226)	(885,522)	(867,120)	(6,408,868)
Deferred income tax liabilities				(117)
Total liabilities				(6,408,985)
Credit commitments	648,256	522,494	–	1,170,750

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

5 Segment information *(continued)*

5.2 Geographical segments

The Group mainly operates in China mainland, with branches distributing across different provinces, autonomous regions and municipalities directly under the Central Government of the country. The Group also has a number of subsidiaries in China mainland and has one branch and subsidiaries in Hong Kong.

Head Office	Including head office, credit card centre and institutions directly under the head office
Yangtze River Delta	Including branches in Shanghai, Zhejiang Province and Jiangsu Province
Pearl River Delta	Including branches in Guangdong Province and Fujian Province
Bohai Rim	Including branches in Beijing, Tianjin, Shandong Province and Hebei Province
Northeastern Region	Including branches in Liaoning Province, Jilin Province and Heilongjiang Province
Central Region	Including branches in Shanxi Province, Henan Province, Hunan Province, Hubei Province, Anhui Province, Jiangxi Province and Hainan Province
Western Region	Including branches in Chongqing, Sichuan Province, Yunnan Province, Shaanxi Province, Gansu Province, Guizhou Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region, Guangxi Zhuang Autonomous Region, Inner Mongolia Autonomous Region and Tibet Autonomous Region
Overseas and Subsidiaries	Including Hong Kong Branch and subsidiaries

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

5 Segment information *(continued)*

5.2 Geographical segments *(continued)*

	Year ended 31 December 2021		As at 31 December 2021
	Operating income	**Profit before income tax**	**Segment assets (1)**
Head Office	**54,768**	**4,438**	**3,060,640**
Yangtze River Delta	**28,453**	**12,634**	**1,236,380**
Pearl River Delta	**18,370**	**8,708**	**625,416**
Bohai Rim	**20,256**	**3,228**	**1,207,506**
Northeastern Region	**2,732**	**(210)**	**154,200**
Central Region	**15,696**	**969**	**502,893**
Western Region	**16,278**	**2,439**	**616,835**
Overseas and subsidiaries	**9,001**	**3,394**	**365,510**
Inter-segment elimination	**–**	**–**	**(868,498)**
Total	**165,554**	**35,600**	**6,900,882**

	Year ended 31 December 2020		As at 31 December 2020
	Operating income	Profit before income tax	Segment assets (1)
Head Office	65,355	8,516	3,268,512
Yangtze River Delta	28,566	12,330	1,231,814
Pearl River Delta	19,721	9,339	623,945
Bohai Rim	22,501	3,152	1,172,780
Northeastern Region	2,701	(190)	141,960
Central Region	15,533	(1,756)	478,232
Western Region	18,363	936	570,617
Overseas and subsidiaries	9,067	4,379	377,884
Inter-segment elimination	–	–	(965,544)
Total	181,807	36,706	6,900,200

(1) Segment assets do not include deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

6 Contingent liabilities and commitments

6.1 Credit commitments

Credit commitments take the form of approved loans with signed contracts, credit card limits, financial guarantees and letters of credit. The Group regularly assesses the contingent losses of its credit commitments and makes allowances where necessary.

The contractual amounts of loans and credit card commitments represent the cash outflows should the contracts be fully drawn upon. The amounts of guarantees and letters of credit represent the maximum potential loss that would be recognised if counterparties fail to fully perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers.

As the credit facilities may expire without being drawn upon, the contract amounts set out in the following table do not represent expected future cash outflows.

	31 December 2021	31 December 2020
Bank acceptances	**340,726**	403,532
Guarantees	**146,076**	158,889
Letters of credit	**77,382**	116,333
Unused credit card commitments	**491,370**	478,980
Irrevocable credit commitments		
– original maturity date within 1 year	**17,680**	9,862
– original maturity date over 1 year (inclusive)	**7,370**	3,154
Total	**1,080,604**	1,170,750

Details of credit loss of off-balance-sheet credit commitments (Note 4.29).

	31 December 2021	31 December 2020
Credit risk weighted amounts of credit commitments	**297,342**	320,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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6 Contingent liabilities and commitments *(continued)*

6.2 Capital commitments

	31 December 2021	31 December 2020
Contracted but not paid for	**22,134**	15,775

6.3 Collateral

(1) Assets pledged

The book value of assets used as collateral for business such as borrowings from banks and other financial institutions, selling for repurchase, borrowings from central bank, derivative transactions and precious metal transactions are as follows:

	31 December 2021	31 December 2020
Balances with banks and other financial institutions	**4,201**	7,951
Loans and advances to customers	**100,340**	140,780
Discounted bills	**23,739**	21,192
Bonds	**248,307**	278,664
Long-term receivables	**14,203**	25,486
Property and equipment	**8,405**	10,681
Others	**32**	1,526
Total	**399,227**	486,280

(2) Collateral accepted

The Group received debt securities, bills and others as collateral in connection with the purchase of assets under resale agreements and securities lending transactions. As at 31 December 2021, the fair value of the collateral that the Group had sold or lent to counterparties, but was obligated to return, was RMB632 million (31 December 2020: RMB758 million).

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For the year ended 31 December 2021
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6 Contingent liabilities and commitments *(continued)*

6.4 Underwriting of securities

As at 31 December 2021, there was no unexpired underwriting commitment for the Group (31 December 2020: Nil).

6.5 Redemption commitments

As an underwriting agent of PRC government bonds, the Bank has the obligation to buy back those bonds sold should the holders decide to redeem the bonds early. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. The amount of redemption obligation, which represents the nominal value of government bonds underwritten and sold by the Bank, but not yet matured as at 31 December 2021 was RMB1,888 million (31 December 2020: RMB1,454 million). The original maturities of the bonds vary from one to five years.

6.6 Outstanding litigation

A number of outstanding litigation matters against the Group had arisen in the normal course of its business as at 31 December 2021. With consideration of the professional advice, the Group's management believes that litigation matters will not have any material adverse effect on the Group financial position or operating results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Interests in structured entities

7.1 Consolidated structured entities

As at 31 December 2021 and 31 December 2020, the Group has no significant consolidated structured entities.

7.2 Unconsolidated structured entities

(1) Structured entities sponsored by third party institutions in which the Group holds an interest

Unconsolidated structured entities sponsored by third party institutions include asset-backed securities, funds, trust and asset management plans and others. The Group holds interests in these structured entities and has no obligation or intention to provide financial support to these structured entities, and the Group records interest income, net trading gain and net gain from investment securities therefrom.

The following tables set out an analysis of the line items in the statement of financial position in which assets are recognised relating to the Group's interests in structured entities sponsored by third parties:

	31 December 2021			
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	1,347	220,181	43,503	265,031
Funds	191,011	–	–	191,011
Trust and asset management plans	12,860	76,724	–	89,584
Others	1,091	–	–	1,091
Total	206,309	296,905	43,503	546,717

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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7 Interests in structured entities *(continued)*

7.2 Unconsolidated structured entities *(continued)*

(1) Structured entities sponsored by third party institutions in which the Group holds an interest *(continued)*

	31 December 2020			
	Financial assets at fair value through profit and loss	Financial assets measured at amortised cost	Financial assets at fair value through other comprehensive income	Total
Asset-backed securities	304	227,833	75,062	303,199
Funds	190,744	–	–	190,744
Trust and asset management plans	12,343	133,800	–	146,143
Wealth management products	4,197	–	–	4,197
Others	1,157	–	–	1,157
Total	208,745	361,633	75,062	645,440

The maximum exposures to loss in the above asset-backed securities, funds, trust and asset management plans and others are the amortised cost or fair value of the assets held by the Group at the reporting date in accordance with the line items of these assets recognised in the statement of financial positions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 Interests in structured entities *(continued)*

7.2 Unconsolidated structured entities *(continued)*

(2) Interests held in structured entities sponsored and managed but not consolidated by the Group

Structured entities sponsored and managed but not consolidated by the Group primarily include non-principal guaranteed wealth management products, funds and asset management plans. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. Interests held by the Group are mainly fees charged by providing management services. The Group has no obligation or intention to provide financial support to these structured entities.

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. The Bank is moving steadily ahead with the relevant work to ensure the smooth transition and robust development of the asset and wealth management business. In 2021 and 2020, the Group undertook part of the wealth management investment assets from non-principal-guaranteed wealth management products issued in the Group's financial investments.

As at 31 December 2021, the balance of non-principal-guaranteed wealth management products sponsored and managed but not consolidated by the Group is RMB1,012,833 million (31 December 2020: RMB861,132 million), and the balance of funds and asset management plans sponsored and managed but not consolidated by the Group is RMB195,548 million (31 December 2020: RMB233,095 million).

For the year ended 31 December 2021, the amount of fee and commission income received from the above mentioned structured entities by the Group is RMB9,611 million (for the year ended 31 December 2020: RMB5,405 million). As at 31 December 2021 and 31 December 2020, the carrying amounts of commission receivable being recognised are not material in the statement of financial positions.

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8 Entrusted lending business

As at the end of the reporting period, the entrusted loans and entrusted funds were as follows:

	31 December 2021	31 December 2020
Entrusted loans	**243,371**	222,672
Entrusted funds	**243,371**	222,672

9 Related parties

9.1 Related parties

(1) Related parties of the Group refer to entities controlled, or jointly controlled by or under significant influence of the Group; entities that control, jointly control or have significant influence over the Group; or entities with which the Group is under control, joint control or significant influence of another party. Related parties can be individuals or enterprises.

Significant related parties of the Group include: members of the Board of Directors, members the Board of Supervisors, and senior management of the Head Office and branches, other people with decision-making authority or involved in the Bank's credit line determination and asset transfers, and the close members of the family of these individuals; controlling natural person shareholders, members of the Board of Directors and key management personnel of the Bank's related legal entities or other organizations (excluding the legal entities or other organizations that are under the direct, indirect or joint control of or under significant influence of the Bank's insiders, major natural person shareholders and their close members of the family); entities and their subsidiaries under the direct, indirect or joint control of the members of the Board of Directors, the Board of Supervisors, and senior management of the Head Office and branches, other people with decision-making authority or involved in the Bank's credit line determination and asset transfers, and the close members of the family of these individuals; major shareholders with the power to influence the Bank's operating or financial policies, and the entities controlled or jointly controlled by these major shareholders; and other natural persons, legal entities or organizations that have a significant influence on the Bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders

Company name	Registered location	31 December 2021 No. of Shares of the Bank held by the Company (share)	31 December 2021 Proportion of shares of the Bank held by the Company (%)	31 December 2020 No. of Shares of the Bank held by the Company (share)	31 December 2020 Proportion of shares of the Bank held by the Company (%)	Business (a)	Legal form	Legal representative
Dajia Life Insurance Inc.	Beijing	**7,810,214,889**	**17.84**	7,810,214,889	17.84	Insurance business	Joint stock limited company	He Xiaofeng
China Oceanwide Holdings Group Co., Ltd.	Beijing	**1,803,182,618**	**4.12**	2,019,182,618	4.61	Commercial service	Limited company	Lu Zhiqiang
China Oceanwide International Investment Company Limited	Hong Kong	**8,237,520**	**0.02**	8,237,520	0.02	Investment holding	Limited company	(b)
Oceanwide International Equity Investment Limited	British Virgin Islands	**604,300,950**	**1.38**	604,300,950	1.38	Investment holding	Limited company	(b)
Long Prosper Capital Company Limited	British Virgin Islands	**138,442,500**	**0.32**	408,000,000	0.93	Investment holding	Limited company	(b)
Shanghai Giant Lifetech Co., Ltd.	Shanghai	**1,379,679,587**	**3.15**	1,379,679,587	3.15	Retailing	Limited company	Wei Wei
Alpha Frontier Limited	Cayman Islands	**713,501,653**	**1.63**	713,501,653	1.63	Investment holding	Limited company	Zhang Iv
Liberal Rise Limited	British Virgin Islands	**84,522,480**	**0.19**	84,522,480	0.19	Investment holding	Limited company	Shi Yuzhu
New Hope Liuhe Investment Co., Ltd.	Tibet	**1,828,327,362**	**4.18**	1,828,327,362	4.18	Commercial service	Limited company	Wang Pusong
South Hope Industrial Co., Ltd.	Tibet	**343,177,327**	**0.78**	343,177,327	0.78	Retailing	Limited company	Li Jianxiong
Tongfang Guoxin Investment Co., Ltd.	Chongqing	**1,888,530,701**	**4.31**	1,888,530,701	4.31	Commercial service	Limited company	Liu Qinqin
Chongqing International Trust Co., Ltd.	Chongqing	**103,658,821**	**0.24**	113,091,421	0.26	Other financial industry	Joint stock limited company	Weng Zhenjie
China Shipowners Mutual Assurance Association	Shanghai	**1,324,284,453**	**3.02**	1,324,284,453	3.02	Insurance business	National social group	Song Chunfeng
Huaxia Life Insurance Co., Ltd. (c)	Tianjin	**2,148,793,436**	**4.91**	2,148,793,436	4.91	Insurance business	Joint stock limited company	Liu Hongjian
Orient Group Incorporation	Heilongjiang	**1,280,117,123**	**2.92**	1,280,117,123	2.92	Wholesaling	Joint stock limited company	Sun Mingtao
Oriental Group Co., Ltd.	Beijing	**35,000,000**	**0.08**	35,000,000	0.08	Commercial service	Limited company	Zhang Xianfeng
Good First Group Co., Ltd.	Shanghai	**249,340,026**	**0.57**	206,340,026	0.47	Wholesaling	Limited company	Wu Di
Tibet Rong Jie Corporate Management Co., Ltd.	Tibet	**145,849,600**	**0.33**	125,249,600	0.29	Commercial service	Limited company	Chen Zhenling
Tibet Fu Ju Investment Co., Ltd.	Tibet	**297,922,400**	**0.68**	340,922,400	0.78	Commercial service	Limited company	Wu Di
Tibet Heng Xun Corporate Management Co., Ltd.	Tibet	**105,844,780**	**0.24**	105,844,780	0.24	Commercial service	Limited company	Hong Zhihua

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations:

Dajia Life Insurance Inc.: life insurance, health insurance, accident insurance and other types of life insurance business; reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former China Insurance Regulatory Commission.

China Oceanwide Holdings Group Co., Ltd.: finance; real estate and investment management, etc.

China Oceanwide International Investment Co, Ltd.: investment holdings, etc.

Oceanwide International Equity Investment Limited: investment holdings, etc.

Long Prosper Capital Company Limited: investment holdings, etc.

Shanghai Giant Lifetech Co., Ltd.: food production and sales (through branch networks); sales of cosmetics, cleaning supplies, health care equipment, kitchenware; R&D, technological consultation, technological services and technology transfer in relation to health care food; wholesale of pre-packaged food (excluding pre-cooked food and sauced food, frozen and refrigerated food); investment management; asset management; investment consulting; business information consulting; and business management consulting.

Alpha Frontier Limited : investment holdings, etc.

Liberal Rise Limited : investment holdings, etc.

New Hope Liuhe Investment Co., Ltd.: venture capital; investment management; financial advisory; wealth management consulting; corporate restructuring consulting; market survey; credit investigation; technology development and transfer; technical consulting services, etc.

South Hope Industrial Co., Ltd.: Feed research and development; wholesale and retail: electronic products, hardware fittings and parts and electrical wares and products, household commodities, knitwear and textiles, stationery and office supplies (excluding color photocopiers), building materials (excluding hazardous chemicals and wood), agricultural product, by products and distinctive local goods and produce (excluding those specified by the state), chemical products (excluding hazardous chemicals), and machinery and equipment; investment and consulting services (excluding intermediary services).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations *(continued)*:

Tongfang Guoxin Investment Co., Ltd.: transportation facilities maintenance; engineering management services; standardized services; planning and design management; corporate headquarters management; business management; commercial complex management services; external contracting projects; real estate property management; proprietary investments (forbidden financial operations include: absorption of public deposits or disguised absorption of public deposits, loans and securities offering, and futures, etc.); investment-related advisory services in relation to market information and investment policies to its affiliates; corporate restructuring and M&A planning and advisory services (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Chongqing International Trust Co., Ltd.: fund trusts, movable property trusts, real estate trusts, securities trusts, other property or property rights trusts; investment fund business as the sponsor of investment funds or fund management companies; asset restructuring, mergers and acquisitions and project financing, corporate wealth management, financial consulting, etc.; entrusted securities underwriting as approved by relevant departments of the State Council; intermediary, consulting, credit investigation services; safekeeping and safe deposit box services; placement with banks and other financial institutions, lending to banks and other financial institutions, loans, leases and investments with proprietary assets; guarantees with proprietary assets; placement with and lending to banks and other financial institutions; other business operations permissible under relevant laws and regulations or as approved by the China Banking and Insurance Regulatory Commission (all above in both Renminbi and foreign currencies).

China Shipowners Mutual Assurance Association: marine mutual insurance; business training; maritime exchanges; international cooperation; and consulting services.

Huaxia Life Insurance Co., Ltd.: life insurance, health insurance, accident insurance and other types of life insurance business, reinsurance for the aforementioned business operations; business operations involving the use of insurance funds as permitted by relevant laws and regulations of the state; other business activities as approved by the former China Insurance Regulatory Commission.

Orient Group Incorporation: food procurement; import and export of goods (or technologies) (other than those prohibited by the state, and engagement in state-run trade or state-controlled projects permissible only after obtaining proper authorizations or licenses); foreign economic and technical cooperation; foreign project contracting; occupational intermediary; real estate property management; distribution of light construction materials, furniture, home decoration materials, construction machinery, hardware and electrical appliances, and sanitary wares; manufacturing and sales of electrical contact materials, development of silver-free contact related products; food sales, rice planting, high-quality seed cultivation, and related research and development.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(a) Particulars of principal operations *(continued)*:

Oriental Group Co., Ltd.: (Formerly Oriental Group Investment Holdings Co., Ltd.): project investment; investment management; real estate development; import and export agency; goods import and export; and economic and trade consulting, etc.

Good First Group Co., Ltd.: high tech product R&D and sales, industrial investments; investments in education, agriculture, industry, entertainment and health care industry; sales of photography and new building materials; wholesale and retail: chemicals (excluding hazardous chemicals and restricted chemicals), knitwear and textiles, hardware fittings and parts and electric wares and products, household commodities, metal materials, construction materials, automobiles (excluding passenger cars) and parts, general machinery, electronic products and communications equipment, and mineral products as approved by the state.

Tibet Rong Jie Corporate Management Co., Ltd.: business management services (excluding investment management and investment consulting); corporate image, promotion and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building and auxiliary materials and metal materials; sales of feed, fertilizer, rubber products, and raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs); investments in the medical industry (forbidden operations include: equity investments; fundraising through public offerings, absorption of public deposits, loans; public trading of securities investment products or financial derivative products; financial products, wealth management products and related derivative businesses). (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Tibet Fu Ju Investment Co., Ltd.: investments in commercial, agricultural, medical, entertainment and education industries (forbidden operations include: trust, financial asset management, and securities asset management business; also excluded: securities, insurance, funds, financial business and their restricted activities) (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

Tibet Heng Xun Corporate Management Co., Ltd.: corporate image, promoting and branding services; exhibition and demonstration services; market survey (excluding those involving national secrets and personal privacy); retail of building materials and auxiliary building materials; sales of feed and raw materials, fertilizers, rubber products, raw chemical materials (excluding hazardous chemicals and chemicals that can be easily used to produce addictive drugs), and metal materials (Where pre-approval is required, the company may engage in such business operations after obtaining the approval of competent authorities as per relevant laws and regulations).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(2) The Bank's major shareholders *(continued)*

(b) The Oceanwide International Equity Investment Limited, China Oceanwide International Investment Company Limited and Long Prosper Capital Company Limited are entities incorporated overseas, and are ultimately controlled by Mr. Lu Zhiqiang.

(c) As at 31 December 2021, Huaxia Life Insurance Co., Ltd. was no longer a major shareholder of the Bank.

The information of registered capital of the related parties as at the end of the reporting period is as below:

Company name	31 December 2021	31 December 2020
Dajia Life Insurance Inc.	**RMB 30,790 million**	RMB 30,790 million
China Oceanwide Holdings Group Co., Ltd.	**RMB 20,000 million**	RMB 20,000 million
China Oceanwide International Investment Co., Ltd.	**HKD 1,548 million**	HKD 1,548 million
Oceanwide International Equity Investment Limited	**USD 0.05 million**	USD 0.05 million
Long Prosper Capital Company Limited	**USD 0.05 million**	USD 0.05 million
Shanghai Giant Lifetech Co., Ltd.	**RMB 245 million**	RMB 245 million
Alpha Frontier Limited	**USD 0.05 million**	USD 0.05 million
Liberal Rise Limited	**USD 0.05 million**	USD 0.05 million
New Hope Liuhe Investment Co., Ltd.	**RMB 577 million**	RMB 577 million
South Hope Industrial Co., Ltd.	**RMB 1,034 million**	RMB 1,034 million
Tongfang Guoxin Investment Co., Ltd.	**RMB 2,574 million**	RMB 2,574 million
Chongqing International Trust Co., Ltd.	**RMB 15,000 million**	RMB 15,000 million
China Shipowners Mutual Assurance Association	**RMB 0.10 million**	RMB 0.10 million
Huaxia Life Insurance Co., Ltd.	**RMB 15,300 million**	RMB 15,300 million
Orient Group Incorporation	**RMB 3,715 million**	RMB 3,715 million
Oriental Group Co., Ltd.	**RMB 1,000 million**	RMB 1,000 million
Good First Group Co., Ltd.	**RMB 133 million**	RMB 133 million
Tibet Rong Jie Corporate Management Co., Ltd.	**RMB 10 million**	RMB 10 million
Tibet Fu Ju Investment Co., Ltd.	**RMB 300 million**	RMB 300 million
Tibet Heng Xun Corporate Management Co., Ltd.	**RMB 10 million**	RMB 10 million

(3) The detailed information of the Bank's subsidiaries is set out in Note 4.22.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(4) Relationship with related parties

Company name	Relationship with the Bank
SHR FSST, LLC	Related party of Dajia Life Insurance Inc.
UNITED ENERGY GROUP (HONG KONG) LIMITED	Related party of Orient Group Incorporation
CHINA TONGHAI DCM LIMITED	Related party of China Oceanwide Holdings Group Co., Ltd.
Oceanwide Holding Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Wuhan Centre Building Development Investment Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Wuhan CBD Co., Ltd.	Related party of China Oceanwide Holdings Group Co., Ltd.
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chengdu Hengjilong Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chengdu New Hope Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Guida Industrial Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Special Drive Education Management Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Sichuan Hope Education Industry Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Wenzhou Xinjintian Real Estate Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Chongqing Yujinyue Real Estate Development Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Grass Green Group Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Jiang'an Dekang Feed Co., Ltd. (a)	Related party of New Hope Liuhe Investment Co., Ltd.
New Hope Dairy Co., Ltd.	Related party of New Hope Liuhe Investment Co., Ltd.
Shanghai Gold Partner Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Jianjiu Biotechnology Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Shanghai Zhunji Business Consulting Partnership (LP)	Related party of Shanghai Giant Lifetech Co., Ltd.
Chongqing Cibi Business Information Consulting Co., Ltd.	Related party of Shanghai Giant Lifetech Co., Ltd.
Chongqing Yufu Highway Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Shanghai Yuye Industrial Development Co., Ltd.	Related party of Tongfang Guoxin Investment Co., Ltd.
Xiamen Jingding Sports Culture Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen University Electronic Information Technology Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Dazu Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(4) Relationship with related parties *(continued)*

Company name	Relationship with the Bank
Xiamen Rongyin Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Tongxincheng Industry and Trade Co., Ltd.	Related party of Good First Group Co., Ltd.
Tianjin Haihui Real Estate Development Co., Ltd.	Related party of Good First Group Co., Ltd.
Zhangzhou Tangcheng Real Estate Co., Ltd.	Related party of Good First Group Co., Ltd.
Xiamen Hongfu Co., Ltd.	Related party of Good First Group Co., Ltd.
Orient Hope Baotou Rare Earth Aluminium Co., Ltd.	Related party of Orient Hope Group Co., Ltd.
Guangzhou Hanguohengsheng Real Estate Development Co., Ltd. (a)	Related party of the Bank's insiders
Wuhan Guanggu Transportation Construction Co., Ltd.	Related party of the Bank's insiders
Shandong Continental Enterprise Group Co., Ltd.	Related party of the Bank's insiders
Minsheng Real Estate Co., Ltd.	Companies funded by the Labour Union Committee of the Bank
Minsheng Fintech Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Neural Management of Comprehensive Channels Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Beijing Changrong Heyin Investment Management Co., Ltd.	Related party of Minsheng Real Estate Co., Ltd.
Minsheng Pension Co., Ltd.	Companies funded by the Labour Union Committee of the Bank and other companies
Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd.	Companies funded by major shareholders and subsidiaries of the Bank
Hongtai Keystone Asset Management Co., Ltd.	Companies funded by Labour Union Committee of credit card centre and related parties of the Bank
Minsheng Yingcai (Beijing) Management Consulting Co., Ltd.	Companies funded by the Labour Union Committee of Beijing branch of the Bank

(a) As at 31 December 2021, the entities were no longer the related parties of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.1 Related parties *(continued)*

(5) Related natural persons

Related natural persons of the Group include: members of the Board of Directors, the Board of Supervisors, and senior management of the Head Office and branches, people with decision-making authority or involved in the Bank's credit line determination and asset transfers, and the close members of the family of these individuals; and the controlling natural person shareholders, members of the Board of Directors and key management personnel of the Bank's related legal entities or other organizations (excluding the legal entities or other organizations that are under direct, indirect or joint control of or under significant influence of the Bank's insiders, major natural person shareholders, and the close members of the family of these individuals). As at 31 December 2021, the Bank had a total of 33,619 related natural persons, including members of the Board of Directors and their close family members, totalling 196; supervisors and their close family members, totalling 130; senior Head Office executives and their close family members, totalling 151; and senior branch executives, those with decision-making authority or involved in the Bank's credit line determination and asset transfers and their close family members, totalling 32,472; the controlling natural person shareholders, directors and key management personnel of the Bank's related legal entities or other organizations and their close family members, totalling 673; and other natural persons with significant influence on the Bank and their close family members, totalling 130.

Note: The Bank's directors and their close family members included 35 persons who were also senior executives at the Head Office or their close family members, and 62 persons who were also the controlling natural person shareholders, directors, key management personnel of the Bank's related legal entities or other organizations or their close family members; and the Bank's supervisors and their close family members included 36 persons who were also senior executives at the Head Office or their close family members.

9.2 Related party transactions

(1) Material related party transactions

Material related party transactions refer to transactions with a related party where the amount of a single transaction with this related party exceeds 1% of the Bank's net capital, or the combined balance of transactions with this related party exceeds 5% of the Bank's net capital. In 2021, the Group, on normal commercial terms, provided a single loan in the amount of RMB15.70 billion to Dajia Life Insurance Inc., and the balance of the loan as at 31 December 2021 was RMB11.50 billion. In 2020, the Group, on normal commercial terms, provided a single loan in the amount of RMB15.00 billion to Dajia Life Insurance Inc., and the balance of the loan as at 31 December 2020 was RMB11.50 billion.

(2) Pricing policy

Transactions between the Group and related parties are mainly conducted in the normal course of its business and under normal commercial terms. The pricing policies are no more favourable than those offered to independent third parties.

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties

Balances outstanding as at the end of the reporting period:

	Types of collateral	31 December 2021	31 December 2020
Dajia Life Insurance Inc.	Pledged	**11,500**	11,500
Oceanwide Holding Co., Ltd.	Pledged/Collateralised/ Guaranteed	**9,200**	9,200
Chongqing Cibi Business Information Consulting Co., Ltd.	Pledged/Guaranteed	**6,615**	6,617
China Oceanwide Holdings Group Co., Ltd.	Pledged/Guaranteed	**4,666**	4,673
Shanghai Zhunji Business Consulting Partnership (LP)	Pledged/Guaranteed	**4,383**	7,514
Wuhan Centre Building Development Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	**3,972**	3,972
UNITED ENERGY GROUP (HONG KONG) LIMITED	Guaranteed	**3,099**	3,455
Orient Group Incorporation	Pledged/Collateralised/ Guaranteed	**3,086**	3,110
Wuhan CBD Co., Ltd.	Collateralised/ Guaranteed	**3,046**	3,056
Oriental Group Co., Ltd.	Pledged/Guaranteed	**2,336**	2,095
Tongfang Guoxin Investment Co., Ltd.	Pledged/Collateralised/ Guaranteed	**1,443**	250
Wenzhou Xinjintian Real Estate Co., Ltd.	Pledged/Collateralised/ Guaranteed	**1,290**	1,538
Shanghai Yuye Industrial Development Co., Ltd.	Pledged/Guaranteed	**1,000**	N/A
Tianjin Haihui Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	**900**	1,147
Xiamen Jingding Sports Culture Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	**795**	770
Beijing Changrong Heyin Investment Management Co., Ltd.	Pledged	**600**	3,000
Xiamen Rongyin Co., Ltd.	Pledged/Collateralised/ Guaranteed	**450**	450
CHINA TONGHAI DCM LIMITED	Pledged/Guaranteed	**335**	505
Xiamen Hongfu Co., Ltd.	Guaranteed	**299**	–
Sichuan Hope Education Industry Group Co., Ltd.	Pledged	**250**	500
Chongqing Yujinyue Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	**230**	300
Wuhan Guanggu Transportation Construction Co., Ltd.	Pledged/Collateralised/ Guaranteed	**195**	N/A
Grass Green Group Co., Ltd.	Pledged/Guaranteed	**179**	–

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

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties *(continued)*

	Types of collateral	31 December 2021	31 December 2020
Shandong Continental Enterprise Group Co., Ltd.	Pledged/Collateralised/ Guaranteed	**175**	N/A
Shanghai Jianjiu Biotechnology Co., Ltd.	Guaranteed	**150**	350
Shanghai Gold Partner Biotechnology Co., Ltd.	Guaranteed	**150**	150
Sichuan Special Drive Education Management Co., Ltd.	Collateralised	**150**	-
Grass Green Joint Venture Capital (Beijing) Co., Ltd.	Pledged/Guaranteed	**148**	149
Zhangzhou Tangcheng Real Estate Co., Ltd.	Pledged/Collateralised/ Guaranteed	**116**	316
New Hope Dairy Co., Ltd.	Pledged	**115**	-
Nanjing Ruichi Trade Co., Ltd.	Collateralised	**8**	N/A
Jiangsu Wanshun Tongbao Culture Co., Ltd.	Collateralised	**6**	N/A
Sichuan Dingen International Trade Co., Ltd.	Collateralised	**2**	N/A
Shandong Yihe Yimei Home Technology Co., Ltd.	Guaranteed	**2**	2
Quanzhou Haoyang Trade Co., Ltd.	Collateralised	**1**	N/A
Chengdu Hengjilong Real Estate Co., Ltd.	Pledged/Collateralised/ Guaranteed	-	1,000
SHR FSST, LLC	Collateralised	-	582
Xiamen Tongxincheng Industry and Trade Co., Ltd.	Pledged/Guaranteed	-	372
Orient Hope Baotou Rare Earth Aluminium Co., Ltd.	Guaranteed	-	300
Xiamen University Electronic Information Technology Co., Ltd.	Pledged/Guaranteed	-	200
Xiamen Dazu Real Estate Development Co., Ltd.	Pledged/Collateralised/ Guaranteed	-	200
Chongqing Yufu Highway Co., Ltd.	Pledged	-	6
Guangzhou Hanguohengsheng Real Estate Development Co., Ltd. (a)	Pledged/Collateralised/ Guaranteed	**N/A**	440
Jiang'an Dekang Feed Co., Ltd. (a)	Guaranteed	**N/A**	50
Individuals	Collateralised/ Guaranteed	**2,822**	834
Total		**63,714**	68,603
Ratio to similar transactions (%)		**1.61**	1.81
Interest rate ranges		**3.16%-8.95%**	3.80%-8.95%

(a) As at 31 December 2021, the entities were no longer a related parties of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(3) Loans to related parties *(continued)*

Amount of transactions:

	Year ended 31 December	
	2021	2020
Interest income from loans	**4,209**	4,265
Ratio to similar transactions (%)	**2.22**	2.22

As at 31 December 2021 and 31 December 2020, none of the above loans is impaired.

(4) Other transactions with related parties

Balances as at the end of the reporting period:

	31 December 2021		31 December 2020	
	Balance	**Ratio to similar transactions (%)**	Balance	Ratio to similar transactions (%)
Financial investments				
– Financial assets measured at amortised cost (a)	**7,609**	**0.59**	2,704	0.20
– Financial assets at fair value through other comprehensive income	**706**	**0.16**	1,633	0.35
Long-term receivables	**401**	**0.33**	527	0.41
Balances with banks and other financial institutions	**–**	**–**	87	0.17
Deposits and placements from banks and other financial institutions	**12,975**	**1.00**	5,617	0.53
Deposits from customers	**32,357**	**0.85**	40,143	1.07

(a) As at 31 December 2021 and 31 December 2020, the related party transaction of a financial asset measured at amortized cost between the Group and Minsheng Pension Co., Ltd. had an overdue amount of RMB600 million. The Group had made an impairment allowance of RMB110 million for these financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties *(continued)*

Amount of transactions:

	Year ended 31 December			
	2021		2020	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Interest income	**433**	**0.16**	279	0.10
Interest expense	**1,540**	**1.01**	1,635	1.08
Fee and commission income (a)	**251**	**0.76**	383	1.16
Operating expenses (b)	**2,786**	**5.66**	2,129	4.40

(a) It mainly represents the Group's income from agency sales of insurance products entered into between the Group and Dajia Life Insurance Inc. and Huaxia Life Insurance Co., Ltd., and the income from agency sales of trust products entered into between the Group and Chongqing International Trust Co., Ltd.

(b) Operating expenses of the Group were mainly for financial business outsourcing service and procurement service provided by Minsheng E-Commerce Holdings (Shenzhen) Co., Ltd. and its related parties, property management service provided by Minsheng Real Estate Co., Ltd. and its related parties, technology development service provided by Minsheng Fintech Co., Ltd., assets recovery service provided by Hongtai Keystone Asset Management Co., Ltd., business process outsourcing service provided by Minsheng Yingcai (Beijing) Management Consulting Co., Ltd., and maintenance service of self-service cashier equipment provided by Neural Management of Comprehensive Channels Co., Ltd.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties *(continued)*

	31 December 2021	31 December 2020
Financial investments		
– Financial assets measured at amortised cost	**2.80%-6.74%**	4.10%-7.90%
– Financial assets at fair value through other comprehensive income	**5.25%-5.30%**	5.60%-6.00%
Long-term receivables	**3.62%-6.89%**	3.80%-4.75%
Balances with banks and other financial institutions	**N/A**	3.25%-3.70%
Deposits and placements from banks and other financial institutions	**0.00%-3.28%**	0.00%-4.00%
Deposits from customers	**0.00%-5.35%**	0.00%-5.20%

Balance of off-balance sheet items:

	31 December 2021		31 December 2020	
	Balance	Ratio to similar transactions (%)	Balance	Ratio to similar transactions (%)
Bank acceptances	**2,252**	**0.66**	2,115	0.49
Guarantees	**2,289**	**1.57**	2,117	1.33
Letters of credit	**350**	**0.45**	300	0.26
Unused credit card commitments	**1,150**	**0.23**	363	0.08

Balances of loans guaranteed by related parties:

	31 December 2021	31 December 2020
Loans guaranteed by related parties	**30,663**	37,120
Ratio to similar transactions (%)	**0.77**	0.98

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(4) Other transactions with related parties *(continued)*

For the year ended 31 December 2021, the original value of loans transferred between Beijing Changrong Heyin Investment Management Co., Ltd. and the Bank was RMB421 million (for the year ended 31 December 2020: RMB12,215 million), with the consideration of RMB395 million agreed upon by both parties (for the year ended 31 December 2020: RMB10,442 million). The risks and rewards of these loans have been fully transferred.

(5) Transactions with the annuity scheme

Apart from the obligation for defined contributions to the annuity scheme and normal banking transactions, no other significant transactions were conducted between the Group and the annuity scheme for the years ended 31 December 2021 and 2020.

(6) Transactions with key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the Bank's activities, directly or indirectly, including directors, supervisors and senior management.

The Bank enters into transactions with key management personnel under normal commercial terms. These include loans and deposits, which are carried out at rates similar to those offered to third parties. Outstanding loans to the key management personnel amounted to RMB2.71 million as at 31 December 2021 (31 December 2020: RMB9.25 million), which have been included in the above loans granted to related parties.

Accrued salaries and other short-term benefits for the key management personnel before tax amounted to RMB104 million for the year ended 31 December 2021 (2020: RMB113 million, the related salaries and benefits were restated in accordance with the Supplementary Announcement Regarding the Senior Management's Emoluments 2020 of China Minsheng Banking Crop., Ltd.). Of which, pre-tax compensations for the Executive Directors, Chairman of the Supervisory Board, Vice Chairman of the Supervisory Board and executive officers included RMB44 million, to be paid in later years, accrued at no less than 50% of the performance-based compensations (2020: RMB34 million and no less than 50% respectively) in accordance with relevant state regulations. The exact amounts of these deferred payments shall be determined at the end of their respective tenure based on their performance. In the case of violations of laws and regulations, non-compliances with rules and requirements, and other actions as a senior officer of the Bank that have exposed the Bank to undue risks, the Bank will, depending on the circumstances, deduct the performance-based remuneration of the person for the corresponding period or up to all the performance-based remuneration for his/her entire term of office, in accordance with the Guidelines for Performance-Based Remuneration Recoupment Mechanisms of Banking and Insurance Institutions (Yin Bao Jian Ban Fa [2021] No. 17) issued by China Banking and Insurance Regulatory Commission (CBIRC) as well as relevant rules of the Bank. The Bank subscribed RMB9 million for supplementary pension insurance for the key management personnel in 2021 (2020: RMB10 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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9 Related parties *(continued)*

9.2 Related party transactions *(continued)*

(7) Transactions between the Bank and its subsidiaries

Balances as at the end of the reporting period:

	31 December 2021	31 December 2020
Placements with banks and other financial institutions	**32,340**	25,485
Loans and advances to customers	**1,637**	1,838
Right-of-use assets	**37**	159
Other assets	**455**	329
Deposits and placements from banks and other financial institutions	**7,652**	9,461
Deposits from customers	**652**	270
Leasing liabilities	**37**	159
Other liabilities	**1,985**	1,158

Amount of transactions for the reporting period:

	Year ended 31 December	
	2021	2020
Interest income	**1,076**	823
Interest expense	**103**	120
Fee and commission income	**223**	223
Operating expenses	**75**	154
Other operating income	**1**	5

For the years ended 31 December 2021 and 2020, the transactions between the subsidiaries of the Group are mainly inter-bank deposits or lending. As at 31 December 2021, the balance of the above transactions was RMB251 million (31 December 2020: RMB391 million).

The balances and transaction amount with the subsidiaries and between the subsidiaries have been offset in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
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10 Financial risk management

10.1 Financial risk management overview

In accordance with the Comprehensive Risk Management Framework of COSO and with the Comprehensive Risk Management Guidelines of CBIRC, risk management includes identification, measurement, assessment, monitoring, reporting, control and mitigation of risks. The core characteristic of the financial business is taking risks; risks are inevitable in business. The Group's aim is to achieve an appropriate balance between risk and return and to minimise potential adverse effects from risks borne by the Group on its financial performance.

The Group provides commercial banking, leasing, fund raising and sales and other financial services through the Bank and its subsidiaries, Minsheng Financial Leasing Co., Ltd. ("Minsheng Financial Leasing"), Minsheng Royal Fund Management Co., Ltd. ("Minsheng Royal Fund"), CMBC International Holding Ltd. ("CMBC International") and 29 Rural banks. These subsidiaries are responsible for financial risk management in their respective businesses as separate entities. The financial risk arising from commercial banking was the most significant risk for the Group's operations. The Group formulated the "Administrative Measures of Subsidiaries of China Minsheng Banking Corporation Limited on Comprehensive Risk Management" to further enhance the risk management of these subsidiaries.

In response to new regulatory requirements and market changes as well as in light of the actual needs and current position, the Group sets its risk preferences, risk management strategies and risk policies, and takes a host of measures to ensure the risk preferences and policies are concretely implemented and complied with and strengthen the role of risk management in support of strategic decision-making, including improving its risk quantification tools and information systems, adopting and continuously improving its end-to-end risk control mechanisms and based on oversight and reviews of actual implementations, re-examining and optimising the risk preference funneling mechanisms, credit policies, limit management, and relevant systems and tools.

The Bank's Risk Management Committee, which operates under the Board of Directors, assists the Board in setting the Bank's risk preferences and risk management strategies, monitoring the Bank's risk management policies and their implementation, and assessing their effectiveness. In accordance with the risk preferences and management strategies, the Bank's senior management develops corresponding risk management policies and procedures and drives their implementation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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10 Financial risk management *(continued)*

10.2 Credit risk

The Group is exposed to credit risk, which is the risk that a borrower or counterparty defaults as it fails to fully repay debts in a timely manner due to various reasons. Credit risk is the most important risk for the Group's operating activities; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from lending, trade finance, credit debt securities and leasing activities. There is also credit risk in off-balance sheet financial instruments, such as credit commitments and derivatives.

The Risk Management Committee is currently responsible for decision-making and overall coordination of credit risk prevention. The Bank adopts professional credit evaluation, full-process quality monitoring, problem asset professional management and collecting and other major methods for credit risk management.

After exhausting all necessary measures and implementing necessary procedures, the Group writes off the bad debts as determined in accordance with the criteria set out in the Group's write-off policy. For bad debts that have been written off, the Bank continues to make its best effort to recover them.

(1) Credit risk measurement

(a) Loans and credit commitments

The Group measures and manages the quality of its credit assets in accordance with the CBIRC Guidelines for Risk Classification of Loans (the "Guidelines"). The Guidelines require financial institutions to classify their credit assets into five categories, namely pass, special-mention, sub-standard, doubtful and loss, of which the last three categories are non-performing loans. At the same time, the Group includes its off-balance sheet credit commitments as part of its overall credit extension, applies credit limit management, and classifies key on-balance sheet and off-balance sheet items in accordance with the Guidelines. The Bank has also developed the Administrative Measures for Risk Classification of Credit Assets of China Minsheng Banking Corporation Limited to guide its daily risk management of credit assets, following classification principles fully consistent with the Guidelines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(1) Credit risk measurement *(continued)*

(a) Loans and credit commitments *(continued)*

The core definitions of credit asset classifications in the Guidelines are as follows:

Pass:	The borrower can fulfil contracts, and there is no sufficient reason to suspect that the principal and interest of loans cannot be repaid in full on time.
Special-mention:	The borrower can make current payments, but there may be some potential issues that could adversely impact future payments.
Sub-standard:	The borrower's repayment ability has been impaired and its normal income is insufficient to repay the loan principal and interest in full. Even with the enforcement of the related guarantee (if any), there may be a certain level of loss.
Doubtful:	The borrower cannot repay the principal plus the interest in full. Even with the enforcement of guarantee (if any), there will be a significant loss.
Loss:	After taking all possible actions or resorting to all necessary legal proceedings, the loan principal and interest cannot be recovered or only a small portion of them can be recovered.

(b) Debt securities and other bills

The Group manages its credit risk exposure of debt securities and other bills by including issuers' credit exposures into the unified credit-grant management and control processes. The Group continues to optimise its exposure structure by requiring a minimum external rating of the debt securities of investment access management and by setting investment structure concentration requirements of portfolio management. In addition, the risk control personnel regularly analyse and continuously monitor the credit positions of issuers of debt securities still held by the Bank, and the operational staff will continue to optimise and adjust the investment portfolio based on the risk-mitigation recommendations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(2) Risk limit control and mitigation policies

The Group exercises risk concentration management and controls over its counterparties, whether individuals or groups, and industries and geographical regions.

The Group has established relevant mechanisms to apply tiered management of credit risks, and set limits to acceptable risks for different individual or group counterparties, different industries and geographical regions. The Bank monitors the risk status regularly and reviews their risk positions at least once a year.

Risk exposures to borrowers, including banks, are further classified into on – and off-balance sheet risk exposures, and controls have been applied to daily risk limits of each trading account. The Bank also monitor actual risk exposures on a daily basis in relation to corresponding risk limits.

The Group controls its credit risks through, among other necessary measures, regular analyses of a customer's ability to repay interest and principal, and making appropriate adjustments to credit lines.

Other specific control and mitigation measures include: measuring, evaluating, early warning, mitigating and controlling of large amount exposures of single and group customers in accordance with regulatory requirements, and prevent and control customer concentration risks.

(a) Collateral

The Group and its subsidiaries have individually established a range of risk management policies and adopted different methods to mitigate credit risk. A critical method for the Group's control of its credit risks is to acquire collateral, security deposits and guarantees from enterprises or individuals. The Group has specified acceptable types of collaterals, mainly including the following:

- Real estate and land use rights
- Financial instruments such as time deposits, debt securities and equities.
- Right to receive payments and accounts receivable
- Machinery and equipment

In order to minimise its credit risk, once an indication of impairment has been identified with an individual loan, the Group will seek additional collateral from counterparties/require additional guarantors or squeeze the credit line.

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

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(2) Risk limit control and mitigation policies *(continued)*

(a) Collateral *(continued)*

Collateral held as security for financial assets other than loans and accounts receivable is determined by the instruments' nature. Debt securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

(b) Derivative instruments

The Bank maintains strict net exposure limits in its financial derivative transactions with counterparties and monitors the activities through daily summary reports on the use of exposure limits. The Bank's exposure to credit risk of derivative instruments is limited to derivative instruments with positive fair value. The Bank sets credit limits for counterparties in its management system to monitor the credit position of derivative transactions and mitigates credit risk associated with derivative instruments by requiring margin deposits from counterparties.

(c) Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to a customer when required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. In some cases, guarantee deposits are received by the Group to lessen the credit risks related to such commitments. The Group's potential amount of credit risk exposure is equivalent to the total amount of credit commitments.

Loan commitments and financial leasing commitments represent unused portions of authorisations to extend credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement

According to the new standard, the Group divided the financial instruments that require ECL provision recognition into three stages and applies the ECL model to calculate loss allowances for its debt financial instruments measured at amortised cost or at fair value through other comprehensive income, as well as its loan commitments and financial guarantee contracts.

The Group adopts the parameters-based approach and the discounted cash flow ("DCF") method to assess the expected credit losses of its financial assets. A parameters-based approach is applied to retail assets and Stage 1 and Stage 2 corporate financial assets, while the DCF method is applied to Stage 3 corporate financial assets.

(a) Financial instrument risk stages

The Group applies a 'three-stage model' for measuring expected credit loss for financial instruments based on changes in credit quality since initial recognition. The three stages are defined as follows:

Stage 1: Financial instruments without significant increase in credit risk since initial recognition. For these assets, expected credit losses are recognised for the following 12 months.

Stage 2: For financial instruments with significant increase in credit risk since initial recognition, expected credit losses are recognised for the remaining lifetime if there is no objective evidence of impairment.

Stage 3: For financial assets with objective evidence of impairment as at the balance sheet date, expected credit losses are recognised for the remaining lifetime.

(b) Criteria for significant increases in credit risk ("SICR")

Criteria for SICR include but are not limited to:

- The principal or interest is overdue for more than 30 days;
- Significant change in Probability of Default (PD);
- An actual or expected significant adverse change in the borrower's operating results or financial position that is expected to lead to a significant change in the borrower's ability to meet its debt repayment obligations;
- Changes or events with a significant negative impact on the solvency of the debtor;
- Other objective evidence of a significant increase in credit risk of financial asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(c) Definition of credit-impaired financial asset

In order to evaluate whether a financial asset is impaired, the Group considers the following criteria:

- The principal or interest of a financial asset is overdue for more than 90 days;
- Significant financial difficulty of the issuer or obligor;
- A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or contractual reasons relating to the debtor's financial difficulty, grants the debtor a concession that the Group would not otherwise consider;
- The debtor will probably enter bankruptcy or another financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties faced by the issuer or debtor;
- The purchase or origination of a financial asset at a significant discount that reflects the fact of credit losses;
- Other objective evidence of financial asset impairment.

The credit impairment of a financial asset may be caused by the combined effect of multiple events rather than any single event.

(d) Segmentation of portfolio sharing similar credit risk characteristics for the purposes of measuring ECL

For measurement of ECL, segmentation of portfolio is based on similar credit risk characteristics. Corporate financial assets of the Group are mainly grouped according to types of borrower and industry, while retail assets are mainly grouped based on product types.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(e) Parameters for ECL measurement

Except for credit-impaired financial assets, according to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group recognised 12-month or lifetime ECL allowance by financial instrument. Expected credit losses are the weighted average of the product of Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), which are defined as follows:

- PD represents the likelihood of a borrower to default on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. The PD is determined based on the adjusted results of the internal rating-based model, with forward-looking information incorporated, to reflect the borrower's point-in-time probability of default under the current macroeconomic environment;

- LGD is expressed as a percentage loss per unit of EAD. LGD varies by types of product and availability of collateral etc.;

- EAD refers to the total amount of on and off-balance sheet exposures in the event of default and is determined based on principal, interest, off-balance sheet risk conversion factor etc., and may vary by product types.

(f) Forward-looking information incorporated in the ECL

The ECL calculation involves forward-looking information. Based on analysis of its historical data, the Group has identified key economic indicators relevant to expected credit losses, including the year-on-year growth rates of Gross Domestic Product (GDP), Consumer Price Index (CPI) and Broad Money Supply (M2). The Group regularly evaluates the various indicators in the pool of macroeconomic indicators and selects the most relevant indictors for ECL calculation.

The Group determines the relationship between these economic variables and PD and LGD by building econometric model, so as to ascertain the impacts of historical changes in these variables on PD and LGD.

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For the year ended 31 December 2021
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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(3) Expected Credit Loss ("ECL") measurement *(continued)*

(f) Forward-looking information incorporated in the ECL *(continued)*

As at 31 December 2021, the forecast values for 2022 for key economic indicators used by the Group are listed below:

- GDP – year on year percentage change: the predictive value in the neutral scenario in year 2022 is about 5.30%, and is 0.60 percentage higher in the positive scenario while 0.60 percentage lower in the negative scenario.

- CPI – year on year percentage change: the predictive value in the neutral scenario in year 2022 is about 1.70%, and is 0.30 percentage higher in the positive scenario while 0.30 percentage lower in the negative scenario.

- M2 – year on year percentage change: the predictive value in the neutral scenario in year 2022 is about 8.00%, and is 0.50 percentage higher in the positive scenario while 0.50 percentage lower in the negative scenario.

The Group conducts sensitivity analysis on the main economic indicators used in forward-looking information. When the predicted value of the main economic indicators changes by 10%, the difference between the hypothetical expected credit loss and the current expected credit loss measurement does not exceed 5%.

The Group combines macroeconomic data analysis and expert judgments to develop the positive, neutral and negative scenarios and determine their weightings, and estimates the expected credit losses in different scenarios to calculate the allowances for the weighted average ECLs. As at 31 December 2021 and 31 December 2020, the positive, neutral and negative scenarios had similar weightings.

(g) Cash flow forecasts for Stage 3 corporate financial assets

The Group uses the DCF method to measure the expected credit losses of Stage 3 corporate financial assets.The DCF method calculates the impairment allowances based on regular forecasts of future cash flows. At each measurement date, the Group estimates the future cash inflows of an asset for different future periods, and applies appropriate discount rates to the future cash flows to obtain their present value.

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(4) Maximum credit risk exposure

The following table presents the Group's maximum exposure to credit risk as at the end of the reporting period without considering any collateral held or other credit enhancements, which is represented by the carrying amount of each type of financial assets after deducting any impairment allowance.

	31 December 2021	31 December 2020
Balances with central bank	**356,010**	396,165
Balances with banks and other financial institutions	**92,546**	52,084
Derivative financial assets	**27,461**	42,285
Placements with banks and other financial institutions	**158,768**	221,908
Financial assets held under resale agreements	**1,362**	21,464
Loans and advances to customers	**3,967,679**	3,782,297
Financial investments		
– Financial assets at fair value through profit or loss	**82,394**	92,548
– Financial assets at fair value through other comprehensive income	**427,204**	466,092
– Financial assets measured at amortised cost	**1,298,220**	1,328,048
Long-term receivables	**122,716**	127,853
Other financial assets	**36,209**	43,617
Total	**6,570,569**	6,574,361
Off-balance sheet credit commitments	**1,080,604**	1,170,750
Maximum credit risk exposure	**7,651,173**	7,745,111

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For the year ended 31 December 2021
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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(5) Analysis on the credit quality of financial instruments

(a) As at 31 December 2021, the credit risk stages of financial instruments at fair value through other comprehensive income and financial instruments at amortised cost are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	356,010	-	-	356,010	-	-	-	-
Balances with banks and other financial institutions	92,554	-	-	92,554	(8)	-	-	(8)
Placements with banks and other financial institutions	158,413	-	1,944	160,357	(411)	-	(1,178)	(1,589)
Financial assets held under resale agreements	841	-	541	1,382	-	-	(20)	(20)
Loans and advances to customers								
- Corporate loans and advances	2,134,955	138,247	51,658	2,324,860	(12,945)	(25,072)	(28,004)	(66,021)
- Personal loans and advances	1,669,322	48,632	28,671	1,746,625	(7,538)	(12,108)	(19,441)	(39,087)
Financial investments	1,682,275	13,717	44,058	1,740,050	(2,465)	(580)	(14,154)	(17,199)
Long-term receivables	107,739	13,152	5,988	126,879	(1,503)	(1,250)	(1,410)	(4,163)
Off-balance sheet credit commitments	1,076,774	3,571	259	1,080,604	(1,227)	(524)	(83)	(1,834)

(b) As at 31 December 2020, the credit risk stages of financial instruments at fair value through other comprehensive income and financial instruments at amortised cost are as following:

	Gross carrying amount				Allowance for expected credit losses			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balances with central bank	396,165	-	-	396,165	-	-	-	-
Balances with banks and other financial institutions	52,088	-	658	52,746	(4)	-	(658)	(662)
Placements with banks and other financial institutions	221,669	-	1,211	222,880	(233)	-	(739)	(972)
Financial assets held under resale agreements	21,468	-	-	21,468	(4)	-	-	(4)
Loans and advances to customers								
- Corporate loans and advances	2,124,967	111,402	42,259	2,278,628	(15,564)	(18,285)	(21,887)	(55,736)
- Personal loans and advances	1,519,169	49,636	31,406	1,600,211	(7,980)	(11,440)	(22,481)	(41,901)
Financial investments	1,775,621	1,973	26,621	1,804,215	(3,910)	(48)	(8,246)	(12,204)
Long-term receivables	123,257	6,242	2,623	132,122	(1,177)	(1,826)	(1,266)	(4,269)
Off-balance sheet credit commitments	1,162,113	5,737	2,900	1,170,750	(1,619)	(221)	(45)	(1,885)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(6) Loans and advances to customers

(a) The credit risk stages of loans and advances to customers (excluding interest accrued) are as following:

	31 December 2021	31 December 2020
Stage 1		
Unsecured loans	**965,895**	897,497
Guaranteed loans	**607,704**	593,863
Loans secured by		
Tangible assets other than monetary assets	**1,616,454**	1,595,387
Monetary assets	**588,431**	532,481
Subtotal	**3,778,484**	3,619,228
Stage 2		
Unsecured loans	**26,574**	29,840
Guaranteed loans	**43,259**	48,864
Loans secured by		
Tangible assets other than monetary assets	**86,316**	65,108
Monetary assets	**30,730**	17,226
Subtotal	**186,879**	161,038
Stage 3		
Unsecured loans	**17,840**	20,131
Guaranteed loans	**19,784**	19,000
Loans secured by		
Tangible assets other than monetary assets	**36,587**	25,812
Monetary assets	**6,118**	8,722
Subtotal	**80,329**	73,665
Total	**4,045,692**	3,853,931
Credit-impaired loans secured by collateral	**19,203**	16,986

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(6) Loans and advances to customers *(continued)*

(b) Loans and advances to customers (excluding interest accrued) analysed by industries are as following:

	31 December 2021		31 December 2020	
	Amount	**(%)**	Amount	(%)
Corporate loans and advances				
Leasing and commercial services	**514,854**	**12.73**	486,805	12.63
Real estate	**360,302**	**8.91**	439,100	11.39
Manufacturing	**348,542**	**8.62**	302,273	7.84
Wholesale and retail	**259,230**	**6.41**	175,621	4.56
Water, environment and public utilities management	**160,746**	**3.97**	149,583	3.88
Transportation, storage and postal service	**127,181**	**3.14**	107,754	2.80
Financial services	**117,470**	**2.90**	204,646	5.31
Construction	**112,875**	**2.79**	109,693	2.85
Mining	**88,396**	**2.18**	104,342	2.71
Production and supply of electric power, heat, gas and water	**86,436**	**2.14**	69,380	1.80
Information transmission, software and IT services	**44,566**	**1.10**	30,101	0.78
Agriculture, forestry, animal husbandry and fishery	**20,221**	**0.50**	12,807	0.33
Accommodation and catering	**13,891**	**0.34**	16,127	0.42
Others	**49,651**	**1.23**	49,058	1.27
Subtotal	**2,304,361**	**56.96**	2,257,290	58.57
Personal loans and advances	**1,741,331**	**43.04**	1,596,641	41.43
Total	**4,045,692**	**100.00**	3,853,931	100.00

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For the year ended 31 December 2021
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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(6) Loans and advances to customers *(continued)*

(c) Loans and advances to customers (excluding interest accrued) by geographical area are as following:

	31 December 2021		31 December 2020	
	Amount	(%)	Amount	(%)
Head Office	**506,340**	**12.52**	548,060	14.22
Yangtze River Delta	**1,004,449**	**24.83**	928,337	24.09
Bohai Rim	**630,297**	**15.58**	618,101	16.04
Western Region	**616,229**	**15.23**	570,998	14.81
Pearl River Delta	**586,214**	**14.49**	523,433	13.58
Central Region	**508,645**	**12.57**	481,042	12.48
Northeastern Region	**97,272**	**2.40**	90,034	2.34
Overseas and subsidiaries	**96,246**	**2.38**	93,926	2.44
Total	**4,045,692**	**100.00**	3,853,931	100.00

(7) Loans and advances restructured

Restructured loans and advances to customers are those loans and advances to customers for which the Group has modified the contract terms as a result of the deterioration in the borrower's financial position or of the borrower's inability to make payments when due. As at 31 December 2021, the amount of the Group's impaired restructured loans and advances to customers with modified contract terms, is RMB17,743 million (31 December 2020: RMB18,729 million).

Impaired restructured loans and advances which were not past due or past due for no more than 90 days are as follows:

	31 December 2021	31 December 2020
Impaired restructured loans and advances to customers	**5,753**	9,251
% of total loans and advances to customers	**0.14**	0.24

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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(8) Distribution of debt instruments analysed by issuers and rating

The ratings are obtained from Standard & Poor's ratings, or major rating agencies where the issuers of the debt securities are located.

	31 December 2021					
	Unrated (a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	41,162	–	–	–	–	41,162
– Corporates	1,117	–	–	–	190	1,307
Gross balance	42,279	–	–	–	190	42.469
Interest accrued						1,589
Less: Allowance for impairment losses of financial assets measured at amortised cost						(12,321)
Subtotal						31,737
Not impaired						
– Government	700,313	303,090	–	–	–	1,003,403
– Policy banks	112,058	–	–	1,038	–	113,096
– Banks and non-bank financial institutions	85,489	118,466	2,842	20,662	16,957	244,416
– Corporates	108,922	221,828	40,158	6,714	19,867	397,489
Gross balance	1,006,782	643,384	43,000	28,414	36,824	1,758,404
Interest accrued						19,982
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,305)
Subtotal						1,776,081
Total						1,807,818

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(8) Distribution of debt instruments analysed by issuers and rating *(continued)*

	31 December 2020					
	Unrated (a)	AAA	AA	A	Lower than A	Total
Credit impaired						
– Banks and non-bank financial institutions (b)	23,639	–	–	–	–	23,639
– Corporates	588	131	–	–	630	1,349
Total	24,227	131	–	–	630	24,988
Interest accrued						1,633
Less: Allowance for impairment losses of financial assets measured at amortised cost						(7,420)
Subtotal						19,201
Not impaired						
– Government	649,700	314,329	–	18	–	964,047
– Policy banks	89,000	–	–	1,682	–	90,682
– Banks and non-bank financial institutions	205,394	116,608	14,882	21,935	16,996	375,815
– Corporates	136,046	211,714	27,857	11,451	31,997	419,065
Total	1,080,140	642,651	42,739	35,086	48,993	1,849,609
Interest accrued						20,533
Less: Allowance for impairment losses of financial assets measured at amortised cost						(2,655)
Subtotal						1,867,487
Total						1,886,688

(a) Unrated debt investments held by the Group mainly include bonds issued by the PRC government, trust and asset management plans, bonds issued by corporates, bonds issued by policy banks, etc.

(b) Credit-impaired debt instruments of banks and non-bank financial institutions mainly include trust and asset management plans, of which the underlying debtors are corporates.

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For the year ended 31 December 2021
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10 Financial risk management *(continued)*

10.2 Credit risk *(continued)*

(9) Investments classified as trust and asset management plans analysed by type of underlying assets

	31 December 2021	31 December 2020
Trust and asset management plans		
Credit assets	**76,724**	133,800
Bonds and others	**12,860**	12,343
Total	**89,584**	146,143

The Group includes trust and asset management plans into comprehensive credit management system and manages its credit risk exposure in a holistic manner. The different methods to mitigate credit risk exposures in trust and assets management plan include guarantees, collaterals and pledges.

10.3 Market risk

The Group is exposed to market risk, which is the risk of loss to its on – and off-balance sheet businesses caused by unfavourable changes in market prices (interest rates, exchange rates, and stock and commodity prices). Market risk includes interest rate risk, exchange rate (including gold bullion) risk, equity price risk and commodity price risk, arising from adverse movements in interest rates, exchange rates, stock prices and commodity price, respectively.

The market risk faced by the Group mainly arises from the Bank's business activities. The Bank's subsidiaries are exposed to an insignificant level of market risk. The Bank and its subsidiaries independently manage their own market risk.

The Bank distinguishes between banking books and trading books in accordance with requirements of regulatory authorities and the general practices of the banking industry, and adopts different methods to identify, measure, monitor and control their respective market risks based on the nature and characteristics of banking and trading books.

Trading books refer to the financial instruments and commodities positions which could be traded freely. They are held by the Bank for trading or hedging against other risks in the trading book. Positions in the trading book must not be subject to any trading restrictions, or be able to fully hedge against the risks. These positions must also be valued accurately and managed proactively as well. In contrast, the Bank's other businesses are included in the banking books.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(1) Market risk measurement techniques

The Bank selects appropriate and generally accepted measurement methods for the different types of market risks in its banking books and trading books based on actual needs of the business.

In accordance with regulatory requirements and in response to interest rate risk of the banking books, the Bank develops measurement methods that are appropriate for the size and structure of its assets and liabilities, and performs quantitative assessment of the impact of interest rate changes on the Bank's banking book net interest income and economic value by adopting methods such as gap analysis, net interest income simulation analysis, and economic value simulation analysis.

Interest rate risk of the trading books are measured by using methods such as duration analysis, scenario analysis, sensitivity analysis and value at risk (VaR).

Exchange rate risks of the banking books include exposure in foreign exchange settlement and sales, foreign currency capital funds, loss in foreign currency profits due to settlement of foreign exchange, and shrinking of foreign currency assets compared to the local currency. The Bank assesses the impact of future exchange rate risk based on the exchange rate tendency and the future changes in the Bank's asset and liability portfolios.

Measurement of the exchange rate risks of the trading books includes monitoring of foreign exchange exposure, and use of methods including sensitivity analysis, scenario analysis and value at risk (VaR) to measure the potential impact of exchange rate fluctuations on the trading profits.

The Bank is fully aware of the pros and cons of different methods for measurement of market risks, and therefore adopts other methods, such as stress tests, for complementation. Stress scenarios applied to market risk stress testing include expert scenarios, historical scenarios, and hybrid scenarios.

(2) Currency risk

Currency risk refers to the foreign exchange and foreign exchange derivatives positions, the risk of losses of banks arise from adverse changes of exchange rate. The Group uses RMB as its bookkeeping currency, and the Group's assets and liabilities are denominated in RMB, and the rest mainly US dollars and Hong Kong dollars.

The Group manages the exchange rate risk by controlling each currency exposure limits and total exposure.

The primary techniques applied by the Group in analysing currency risk are mainly foreign exchange exposure analyses, scenario analyses, stress testing and value at risk (VaR) method. The Group manages the currency risk in the frame of the exposure limit by daily monitoring, reporting and analysing.

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For the year ended 31 December 2021
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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(2) Currency risk *(continued)*

The following tables present the Group's foreign exchange risk exposures as at the end of the reporting period. The carrying values of assets and liabilities denominated in foreign currencies have been converted into RMB.

	31 December 2021				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	310,899	48,904	1,324	175	361,302
Balances with banks and other financial institutions	26,089	56,177	7,813	2,467	92,546
Placements with banks and other financial institutions	142,786	12,271	3,711	–	158,768
Financial assets held under resale agreements	733	629	–	–	1,362
Loans and advances to customers	3,788,631	121,968	28,415	28,665	3,967,679
Financial investments	1,912,327	104,533	5,049	12,524	2,034,433
Long-term receivables	101,567	21,149	–	–	122,716
Other assets	161,552	35,333	3,877	13,218	213,980
Total assets	6,444,584	400,964	50,189	57,049	6,952,786
Liabilities:					
Borrowings from central bank	279,787	–	–	–	279,787
Deposits and placements from banks and other financial institutions	1,222,667	57,097	12,135	2,459	1,294,358
Borrowings from banks and other financial institutions	71,742	40,614	2,105	–	114,461
Financial assets sold under repurchase agreements	27,662	8,823	–	–	36,485
Deposits from customers	3,556,164	231,863	27,243	10,423	3,825,693
Debt securities issued	701,140	9,884	–	–	711,024
Lease liabilities	9,992	–	233	–	10,225
Other liabilities	84,866	8,798	371	179	94,214
Total liabilities	5,954,020	357,079	42,087	13,061	6,366,247
Net position	490,564	43,885	8,102	43,988	586,539
Foreign currency derivatives	47,132	(14,563)	(3,560)	(27,754)	1,255
Off-balance sheet credit commitments	1,041,786	29,352	4,319	5,147	1,080,604

10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(2) Currency risk *(continued)*

	31 December 2020				
	RMB	USD	HKD	Others	Total
Assets:					
Cash and balances with central bank	360,632	40,082	615	196	401,525
Balances with banks and other financial institutions	19,497	25,664	5,206	1,717	52,084
Placements with banks and other financial institutions	193,109	27,800	999	–	221,908
Financial assets held under resale agreements	20,709	755	–	–	21,464
Loans and advances to customers	3,584,228	140,396	24,880	32,793	3,782,297
Financial investments	1,981,764	121,676	3,540	13,670	2,120,650
Long-term receivables	103,200	24,653	–	–	127,853
Other assets	170,146	37,455	8,232	6,619	222,452
Total assets	6,433,285	418,481	43,472	54,995	6,950,233
Liabilities:					
Borrowings from central bank	292,352	–	–	–	292,352
Deposits and placements from banks and other financial institutions	974,551	78,250	16,440	480	1,069,721
Borrowings from banks and other financial institutions	83,324	44,972	2,722	–	131,018
Financial assets sold under repurchase agreements	49,958	13,374	–	1,986	65,318
Deposits from customers	3,521,632	218,644	20,794	7,081	3,768,151
Debt securities issued	945,784	12,096	–	–	957,880
Lease liabilities	10,001	111	155	–	10,267
Other liabilities	102,616	9,798	1,653	211	114,278
Total liabilities	5,980,218	377,245	41,764	9,758	6,408,985
Net position	453,067	41,236	1,708	45,237	541,248
Foreign currency derivatives	13,104	12,173	5,267	(26,546)	3,998
Off-balance sheet credit commitments	1,135,637	26,337	3,358	5,418	1,170,750

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(2) Currency risk *(continued)*

The Group conducts sensitivity analysis on the net foreign currency position to identify the impact on the income statement of potential movements in foreign currency exchange rates against the RMB. As at 31 December 2021, assuming other variables remain unchanged, an appreciation of one hundred basis points of the US dollar against the RMB would increase both the Group's net profit and equity by RMB720 million (31 December 2020: increase by RMB661 million); a depreciation of one hundred basis points of the US dollar against the RMB would decrease both the Group's net profit and equity by RMB720 million (31 December 2020: decrease by RMB661 million).

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

a. The sensitivity of each type of exchange rate refers to the exchange gain or loss caused by a fluctuation in the absolute value of closing foreign currency rate by one hundred basis points against the RMB's average rate on the reporting date;

b. The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement from the current reporting date to the next reporting date;

c. The fluctuation of exchange rates for all foreign currencies represents the fluctuation of exchange rates in US dollars and other foreign currencies against RMB in the same direction simultaneously. Due to the immaterial proportion of the Group's total assets and liabilities denominated in currencies other than US dollars, other foreign currencies are converted into US dollars through sensitivity analysis;

d. The foreign exchange exposures calculated includes spot and forward foreign exchange exposures and swaps;

e. Other variables (including interest rates) remained unchanged; and

f. The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the adoption of the aforementioned assumptions, the actual changes in the Group's net profit or loss and equity caused by the increase or decrease in exchange rates might vary from the estimated results of this sensitivity analysis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk

Interest rate risk refers to the adverse changes of the level of interest rate, term structure and other factors, which lead to loss on the economic value and bank revenue. Interest rate risk include gap risk, basis risk and option risk, and the gap risk and basis risk are the main sources of risk for the Group.

The Group's is affected by the interest rate benchmark reform mainly in business activities, including loans and advances to customers, deposits from customers, debt investments and derivatives etc., that are linked to the London Interbank Offered Rates (LIBOR). The Group pays high attention to the LIBOR reform, and moving forward with updating the product contract wording, system building and customer communication in a well-planned and disciplined manner. Based on its assessment, the Group believes that the LIBOR reform has no significant impact on the Group's financial position and operating results.

(a) The trading books

The adverse changes due to the interest rate risk of the trading books related to the financial instruments and commodity positions will cause loss for trading books. The scope of managing interest rate risk of the trading books covers all products and businesses that are sensitive to changes in interest rates, including domestic and foreign currency bond investments, money market transactions, interest rate derivatives, foreign exchange derivatives, precious metal derivatives, and complex derivatives, etc.

The Group mainly uses indicators for scale size, profit and loss indicators, valuation, sensitivity analysis, VaR analysis, duration analysis, stress testing and other methods to quantitatively analyze interest rate risk, and incorporates market risk measurement models into daily risk management.

The Group sets risk limits such as interest rate sensitivity, duration, exposure, and loss limits to effectively control the interest rate risk of the trading books, and manages the interest rate risk within exposure limit through daily monitoring.

(b) The banking books

The primary techniques applied by the Group in measuring and analysing interest rate risk are mainly scenario analyses, repricing gap analyses, duration analyses and stress testing. The Group manages the interest rate risk using the framework of exposure limit by periodically monitoring and reporting.

The Group closely monitors trends of interest rate changes for both RMB and foreign currencies, follows market interest rate changes, performs proper scenario analyses, and adjusts interest rates of deposits and loans in both RMB and foreign currencies to manage interest rate risk.

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10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk *(continued)*

(b) The banking books *(continued)*

The following tables present the Group's exposure to interest rate risk, indicating net carrying amounts of assets and liabilities based on their contractual repricing dates (or maturity dates whichever are earlier).

	31 December 2021					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with central bank	355,877	–	–	–	5,425	361,302
Balances with banks and other financial institutions	90,066	2,417	–	–	63	92,546
Placements with banks and other financial institutions	58,681	93,899	5,948	–	240	158,768
Financial assets held under resale agreements	1,344	–	–	–	18	1,362
Loans and advances to customers	1,548,288	1,568,245	578,391	246,962	25,793	3,967,679
Financial investment	118,750	237,628	1,078,166	345,170	254,719	2,034,433
Long-term receivables	41,894	52,229	23,170	5,423	–	122,716
Other assets	–	1,025	59	1,128	211,768	213,980
Total assets	2,214,900	1,955,443	1,685,734	598,683	498,026	6,952,786
Liabilities:						
Borrowings from central bank	53,149	223,266	–	–	3,372	279,787
Deposits and placements from banks and other financial institutions	770,316	516,765	–	–	7,277	1,294,358
Borrowings from banks and other financial institutions	53,719	51,883	7,235	875	749	114,461
Financial assets sold under repurchase agreements	17,976	18,134	255	–	120	36,485
Deposits from customers	2,271,004	845,051	659,706	–	49,932	3,825,693
Debt securities issued	194,356	313,363	79,998	119,967	3,340	711,024
Lease liabilities	813	2,180	5,905	1,327	–	10,225
Other liabilities	632	6,410	–	–	87,172	94,214
Total liabilities	3,361,965	1,977,052	753,099	122,169	151,962	6,366,247
Interest rate gap	(1,147,065)	(21,609)	932,635	476,514	346,064	586,539

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk *(continued)*

(b) The banking books *(continued)*

	31 December 2020					
	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets:						
Cash and balances with central bank	396,016	–	–	–	5,509	401,525
Balances with banks and other financial institutions	49,488	2,539	–	–	57	52,084
Placements with banks and other financial institutions	91,601	122,681	6,848	–	778	221,908
Financial assets held under resale agreements	21,021	422	–	–	21	21,464
Loans and advances to customers	1,226,155	1,660,519	636,145	234,570	24,908	3,782,297
Financial investment	135,367	311,520	1,002,528	409,286	261,949	2,120,650
Long-term receivables	37,991	53,482	28,711	7,534	135	127,853
Other assets	–	–	–	–	222,452	222,452
Total assets	1,957,639	2,151,163	1,674,232	651,390	515,809	6,950,233
Liabilities:						
Borrowings from central bank	50,306	238,714	–	–	3,332	292,352
Deposits and placements from banks and other financial institutions	709,821	355,584	–	–	4,316	1,069,721
Borrowings from banks and other financial institutions	55,632	64,664	8,087	1,796	839	131,018
Financial assets sold under repurchase agreements	25,433	39,109	364	–	412	65,318
Deposits from customers	2,309,809	615,120	803,245	–	39,977	3,768,151
Debt securities issued	289,251	491,300	29,450	143,947	3,932	957,880
Lease liabilities	760	1,983	6,156	1,368	–	10,267
Other liabilities	4,088	–	–	–	110,190	114,278
Total liabilities	3,445,100	1,806,474	847,302	147,111	162,998	6,408,985
Interest rate gap	(1,487,461)	344,689	826,930	504,279	352,811	541,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk management *(continued)*

10.3 Market risk *(continued)*

(3) Interest rate risk *(continued)*

(b) The banking books *(continued)*

If yield curves for respective currencies move in parallel for 100 basis points on 1 January, their potential impact on the Group's net interest income and shareholders' equity for the following year is as follows:

	31 December 2021 (Loss)/Gain	31 December 2020 (Loss)/Gain
Up 100 bps parallel shift in yield curves	**(7,589)**	(7,406)
Down 100 bps parallel shift in yield curves	**7,589**	7,406

In performing the interest rate sensitivity analysis, the Group and the Bank have made general assumptions in defining business terms and financial parameters, but have not considered the following:

a. business changes after the end of the reporting period, as the analysis is performed based on the static gap at the end of the reporting period;

b. the impact of interest rate fluctuations on customers' behaviour;

c. the complicated relationship between complex structured products (e.g. embedded call options and other derivative financial instruments) and interest rate fluctuations;

d. the impact of interest rate fluctuations on market prices;

e. the impact of interest rate fluctuations on off-balance sheet products;

f. the impact of interest rate fluctuations on fair value of financial instruments;

g. other variables (including foreign exchange rate); and

h. other risk management measures in the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk management *(continued)*

10.4 Liquidity risk

Liquidity risk is the risk that the Group is unable to promptly obtain funds at reasonable cost to repay maturing liabilities, discharge other payment obligations and meet other funding needs in the course of normal operations.

During the reporting period, the Bank's subsidiaries manage their respective liquidity risks according to the Group's liquidity risk management framework, and the Bank manages the liquidity risk of all its branches and business lines.

The Bank is exposed to daily calls on its available cash resources from overnight deposits, demand deposits, maturing time deposits, loan drawdowns, guarantees and other calls on cash-settled derivatives. The Bank does not maintain cash resources to meet all these needs, as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Bank sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

During the reporting period, the Bank was required to maintain 8% of the total RMB denominated deposits and 9% of the total foreign currency denominated balances as statutory reserves with the PBOC.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the full amounts under commitments, because the Bank does not generally expect the third party to fully draw funds under those agreements. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

(1) Liquidity risk management policy

The Bank and its subsidiaries separately and independently develop their liquidity risk management policies.

The Board of Directors is ultimately responsible for liquidity risk management including reviewing and approving liquidity risk appetite, liquidity risk management strategy, major policies and procedures. The Bank's senior management is responsible for formulating liquidity risk management policies according to the development strategy of the Bank. The Assets and Liabilities Management Department is responsible for the daily liquidity risk management through the following procedures:

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(1) Liquidity risk management policy *(continued)*

To manage the day-to-day position through monitoring the future cash flow to ensure it meets the required fund position, including matured deposits and replenishment of funds for loan demand. The Bank actively participates in global money market transactions to ensure that the Bank's funding requirements are satisfied;

To set ratio requirements and transactions limits to help monitor and manage liquidity risks. The ratios include but are not limited to liquidity coverage ratios, liquidity ratios, net stable funding ratios and liquidity matching rate;

To measure and monitor cash flows through the Bank's asset and liabilities management system, and perform liquidity scenario analyses and stress testing on overall assets and liabilities to satisfy internal and external requirements. Various techniques are used to estimate the Bank's liquidity requirements, and liquidity risk management decisions are made based on the estimated liquidity requirements and within respective terms of reference. A periodical reporting system is established to promptly update senior management on latest liquidity risk information;

To monitor the maturity concentration risk of financial assets and hold an appropriate quantity of high-liquidity and high-market-value assets to ensure the Bank is well positioned to fund its repayment obligations and business growth in the event of an interruption of cash flows due to whatever causes.

(2) Maturity analysis

The following tables present the maturity analysis of assets and liabilities of the Group as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables and placements with banks and other financial institutions refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments; and repayable on demand with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(2) Maturity analysis *(continued)*

	31 December 2021							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	314,917	46,385	-	-	-	-	-	361,302
Balances with banks and other financial institutions	-	87,246	1,399	1,462	2,439	-	-	92,546
Placements with banks and other financial institutions	770	-	21,416	36,343	94,286	5,953	-	158,768
Financial assets held under resale agreements	521	-	329	512	-	-	-	1,362
Loans and advances to customers	42,852	7,802	362,467	240,933	1,238,033	1,055,910	1,019,682	3,967,679
Financial investments	260,491	277	28,616	34,230	248,031	1,105,872	356,916	2,034,433
Long-term receivables	6,086	2,421	6,239	9,560	40,954	51,518	5,938	122,716
Other assets	154,744	10,476	10,986	9,529	19,852	7,747	646	213,980
Total assets	780,381	154,607	431,452	332,569	1,643,595	2,227,000	1,383,182	6,952,786
Liabilities:								
Borrowings from central bank	-	-	19,362	34,468	225,957	-	-	279,787
Deposits and placements from banks and other financial institutions	-	347,893	170,785	242,081	533,599	-	-	1,294,358
Borrowings from banks and other financial institutions	-	-	19,488	23,298	54,132	14,198	3,345	114,461
Financial assets sold under repurchase agreements	-	-	10,449	7,608	18,172	256	-	36,485
Deposits from customers	-	1,529,820	544,182	227,920	855,868	667,903	-	3,825,693
Debt securities issued	-	-	46,672	140,401	316,980	87,004	119,967	711,024
Lease liabilities	-	-	316	497	2,180	5,905	1,327	10,225
Other liabilities	5,619	7,347	13,740	20,294	32,812	13,701	701	94,214
Total liabilities	5,619	1,885,060	824,994	696,567	2,039,700	788,967	125,340	6,366,247
Net position	774,762	(1,730,453)	(393,542)	(363,998)	(396,105)	1,438,033	1,257,842	586,539
Notional amount of derivatives	-	-	661,623	788,825	1,803,522	834,787	11,239	4,099,996

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(2) Maturity analysis *(continued)*

	31 December 2020							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	332,366	69,159						401,525
Balances with banks and other financial institutions	-	46,352	1,780	1,398	2,554	-	-	52,084
Placements with banks and other financial institutions	472	-	40,804	51,022	122,756	6,854	-	221,908
Financial assets held under resale agreements	281	-	19,351	1,406	426	-	-	21,464
Loans and advances to customers	37,951	8,352	360,771	239,276	1,137,821	1,097,376	900,750	3,782,297
Financial investments	259,898	505	46,403	51,900	318,823	1,027,706	415,415	2,120,650
Long-term receivables	3,836	915	4,746	8,823	36,903	63,378	9,252	127,853
Other assets	134,542	20,003	12,973	11,852	29,847	10,614	2,621	222,452
Total assets	769,346	145,286	486,828	365,677	1,649,130	2,205,928	1,328,038	6,950,233
Liabilities:								
Borrowings from central bank	-	-	17,258	34,464	240,630	-	-	292,352
Deposits and placements from banks and other financial institutions	-	297,037	216,417	199,962	356,305	-	-	1,069,721
Borrowings from banks and other financial institutions	-	-	20,473	19,986	71,462	10,598	8,499	131,018
Financial assets sold under repurchase agreements	-	-	6,012	18,248	40,693	365	-	65,318
Deposits from customers	-	1,591,240	474,156	270,049	621,345	811,361	-	3,768,151
Debt securities issued	-	-	37,455	253,917	493,111	29,450	143,947	957,880
Lease liabilities	-	-	277	483	1,983	6,156	1,368	10,267
Other liabilities	2,507	2,430	13,711	23,141	54,973	14,773	2,743	114,278
Total liabilities	2,507	1,890,707	785,759	820,250	1,880,502	872,703	156,557	6,408,985
Net position	766,839	(1,745,421)	(298,931)	(454,573)	(231,372)	1,333,225	1,171,481	541,248
Notional amount of derivatives	-	-	450,839	673,327	1,526,115	732,592	7,191	3,390,064

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities

The following tables present the analysis of the undiscounted contractual cash flows of the Group's non-derivative assets and liabilities as at the end of the reporting period. The Group manages its liquidity risk based on its estimation of expected future cash flows. An indefinite term in the case of cash and deposits with the Central Bank refers to statutory reserves and fiscal deposits placed with the Central Bank; an indefinite term in terms of financial investments, loans and advances, long-term receivables and placements with banks and other financial institutions refers to amounts of such assets that have become impaired or overdue for more than one month, and also equity investments and fund investments; and repayable on demand with respect to financial investments, loans and advances and long-term receivables refers to the unimpaired amounts of such assets that have been overdue for less than one month.

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities *(continued)*

	31 December 2021							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years and indefinite	Total
Assets:								
Cash and balances with central bank	314,917	46,385	-	-	-	-	-	361,302
Balances with banks and other financial institutions	-	87,246	1,399	1,467	2,474	-	-	92,586
Placements with banks and other financial institutions	1,947	-	21,848	36,943	94,462	5,958	-	161,158
Financial assets held under resale agreements	541	-	329	512	-	-	-	1,382
Loans and advances to customers	91,557	9,799	376,681	267,625	1,341,872	1,302,898	1,412,295	4,802,727
Financial investments	269,160	300	32,520	37,375	279,061	1,267,864	412,128	2,298,408
Long-term receivables	8,297	2,669	6,724	10,404	44,998	61,009	8,282	142,383
Other assets	156,370	10,503	6,030	2,410	6,628	6,034	3,116	191,091
Total assets (expected maturity date)	842,789	156,902	445,531	356,736	1,769,495	2,643,763	1,835,821	8,051,037
Liabilities:								
Borrowings from central bank	-	-	19,374	34,625	230,521	-	-	284,520
Deposits and placements from banks and other financial institutions	-	347,893	170,840	242,514	540,827	-	-	1,302,074
Borrowings from banks and other financial institutions	-	-	19,505	23,697	55,132	15,232	3,506	117,072
Financial assets sold under repurchase agreements	-	-	10,456	7,634	18,273	261	-	36,624
Deposits from customers	-	1,529,820	546,357	233,339	892,455	752,833	-	3,954,804
Debt securities issued	-	-	46,740	141,429	326,797	111,532	134,286	760,784
Lease liabilities	-	-	347	547	2,397	6,494	1,459	11,244
Other liabilities	5,619	7,347	7,618	13,344	21,148	12,602	422	68,100
Total liabilities (contractual maturity date)	5,619	1,885,060	821,237	697,129	2,087,550	898,954	139,673	6,535,222

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10 Financial risk management *(continued)*

10.1 Liquidity risk *(continued)*

(3) Analysis on contractual undiscounted cash flows of non-derivative assets and liabilities *(continued)*

	31 December 2020							
	Indefinite	Repayable on demand	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Assets:								
Cash and balances with central bank	332,366	69,159	–	–	–	–	–	401,525
Balances with banks and other financial institutions	658	46,352	1,783	1,405	2,580	–	–	52,778
Placements with banks and other financial institutions	1,212	–	41,043	52,067	122,978	7,181	–	224,481
Financial assets held under resale agreements	281	–	19,361	1,413	427	–	–	21,482
Loans and advances to customers	87,039	10,391	379,318	270,246	1,260,443	1,453,294	1,488,001	4,948,732
Financial investments	267,877	521	54,326	58,492	365,220	1,213,833	480,100	2,440,369
Long-term receivables	5,295	986	5,158	9,655	40,437	74,939	13,584	150,054
Other assets	135,898	20,003	8,871	4,161	4,348	8,392	2,006	183,679
Total assets (expected maturity date)	830,626	147,412	509,860	397,439	1,796,433	2,757,639	1,983,691	8,423,100
Liabilities:								
Borrowings from central bank	–	–	17,270	34,633	245,667	–	–	297,570
Deposits and placements from banks and other financial institutions	–	297,037	217,527	201,917	361,905	–	–	1,078,386
Borrowings from banks and other financial institutions	–	–	20,491	20,332	73,204	11,911	8,880	134,818
Financial assets sold under repurchase agreements	–	–	8,028	30,450	100,967	1,413	–	140,858
Deposits from customers	–	1,591,240	475,062	273,312	631,201	877,523	–	3,848,338
Debt securities issued	–	–	37,519	255,715	504,265	54,738	164,291	1,016,528
Lease liabilities	–	–	307	535	2,200	6,829	1,517	11,388
Other liabilities	2,507	2,430	7,829	14,840	29,093	12,990	1,914	71,603
Total liabilities (contractual maturity date)	2,507	1,890,707	784,033	831,734	1,948,502	965,404	176,602	6,599,489

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(4) Analysis on contractual undiscounted cash flows of derivatives

(a) Derivatives settled on a net basis

The Group's derivatives that will be settled on a net basis include:

Interest rate derivatives	Interest rate swaps
Credit derivatives	Credit default swaps

The following tables analyse the Group's contractual undiscounted cash flows of derivatives to be settled on a net basis as at the end of the reporting period.

	31 December 2021					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest rate derivatives	**(26)**	**(17)**	**(241)**	**(376)**	**(6)**	**(666)**
Credit derivatives	**–**	**–**	**(2)**	**(17)**	**–**	**(19)**
Total	**(26)**	**(17)**	**(243)**	**(393)**	**(6)**	**(685)**

	31 December 2020					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Interest rate derivatives	(34)	(29)	(159)	(381)	(20)	(623)
Credit derivatives	–	–	–	1	–	1
Total	(34)	(29)	(159)	(380)	(20)	(622)

(b) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include:

Foreign exchange derivatives	Foreign exchange forwards, swaps and options
Precious metal derivatives	Precious metal forwards, swaps

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(4) Analysis on contractual undiscounted cash flows of derivatives *(continued)*

(b) Derivatives settled on a gross basis *(continued)*

The following tables analyse the Group's contractual undiscounted cash flows of derivatives to be settled on a gross basis as at the end of the reporting period.

	31 December 2021					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	**(590,359)**	**(663,552)**	**(1,328,892)**	**(65,808)**	**–**	**(2,648,611)**
– Cash inflow	**590,397**	**660,015**	**1,333,168**	**66,286**	**–**	**2,649,866**
Precious metal derivatives						
– Cash outflow	**(16,543)**	**(12,513)**	**(31,593)**	**–**	**–**	**(60,649)**
– Cash inflow	**16,801**	**12,566**	**30,914**	**–**	**–**	**60,281**
Total cash outflow	**(606,902)**	**(676,065)**	**(1,360,485)**	**(65,808)**	**–**	**(2,709,260)**
Total cash inflow	**607,198**	**672,581**	**1,364,082**	**66,286**	**–**	**2,710,147**

	31 December 2020					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total
Foreign exchange derivatives						
– Cash outflow	(358,138)	(420,284)	(1,151,806)	(50,531)	–	(1,980,759)
– Cash inflow	358,579	419,627	1,154,877	51,674	–	1,984,757
Precious metal derivatives						
– Cash outflow	(5,557)	(5,917)	(37,761)	–	–	(49,235)
– Cash inflow	6,060	6,231	35,196	–	–	47,487
Total cash outflow	(363,695)	(426,201)	(1,189,567)	(50,531)	–	(2,029,994)
Total cash inflow	364,639	425,858	1,190,073	51,674	–	2,032,244

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10 Financial risk management *(continued)*

10.4 Liquidity risk *(continued)*

(5) Analysis on contractual undiscounted cash flows of commitments

Management treats contractual maturity as the best estimate for analysing liquidity risk of off-balance sheet items, unless an objective evidence of default is identified.

	31 December 2021			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	**340,726**	**–**	**–**	**340,726**
Letters of credit	**77,103**	**279**	**–**	**77,382**
Guarantees	**92,490**	**51,526**	**2,060**	**146,076**
Unused credit card commitments	**491,370**	**–**	**–**	**491,370**
Irrevocable credit commitments	**18,428**	**6,351**	**271**	**25,050**
Total	**1,020,117**	**58,156**	**2,331**	**1,080,604**

	31 December 2020			
	Less than 1 year	1 to 5 years	More than 5 years	Total
Bank acceptances	403,532	–	–	403,532
Letters of credit	115,960	373	–	116,333
Guarantees	99,081	58,450	1,358	158,889
Unused credit card commitments	478,980	–	–	478,980
Irrevocable credit commitments	10,203	2,813	–	13,016
Total	1,107,756	61,636	1,358	1,170,750

10.5 Operational risk

Operational risk refers to the risk of loss due to deficient and flawed internal procedures, personnel and information technology (IT) system, or external events. The operational risk of the Group mainly comprises internal and external fraud, employment system, and safety of working places, events related to customers, products and operation, damages of tangible assets, interruption of business, failure of IT system, implementation, delivery and process management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 Financial risk managemcnt *(continued)*

10.5 Operational risk *(continued)*

The Bank continues to strengthen its operational risk management, including enhancing the risk identification matrices and evaluation models, deepening information sharing and data-driven practices, and expanding its efforts to effectively cover all important business lines and management activities. As part of its efforts to improve its business continuity planning, response and recovery capabilities, the Bank conducts comprehensive business impact analyses and updates its emergency response plans regularly to step up emergency early warning, response, resolution and evaluation. In line with compliance requirements as well as cost-effective and prudential principles, the Bank also takes actions to improve the discipline and compliance in its outsourcing activities and service provider management, including regular in-process inspections and assessments of outsourcing activities, as well as selected on-site inspections of key institutions.

10.6 Country risk

The Group is exposed to country risk, which represents the risk due to changes and incidents occurred in the economy, politics and society of a specific country or region, which results in the borrowers or debtors in that country or region incapable of or unwilling to pay their debts owed to the Group or otherwise leads to business losses or other losses to the Group in that country or region. The country risk results from the economic deterioration of a specific country or region, the political and social turmoil, the nationalization or expropriation of assets, the Government's refusal of debt redemption, the restriction of foreign currency, the currency depreciation, and so on.

The country risk faced by the Group mainly arises from overseas credit business, bond investment, bill business, interbank financing, financial derivative trading, offshore leasing business, investment banking business, securities investment and establishment of overseas institutions.

Country risk management is included in the comprehensive risk management system of the Group and serves the objective of business strategy of the Bank. The Group manages and controls country risk through a number of tools including risk assessment and rating, limit setting, monitoring, improvement to review procedures, and formulation of polices to accrue country risk reserve.

10.7 Capital management

In managing capital, the Group enhances capital budget, capital configuration and evaluation management, optimize business structure, promote capital utilization efficiency and create value, based on meeting regulatory requirements and raising risk resistance ability.

Starting from 1 January 2013, the Group computes the capital adequacy ratios in accordance with *The Capital Rules for Commercial Banks (Provisional)* and other relevant regulations issued by the CBIRC. The on-balance sheet risk-weighted assets are measured by using different risk weights, which are determined in accordance with Appendix 2 of *The Capital Rules for Commercial Banks (Provisional)*, and taking into account the risk mitigation effect provided by the qualified pledges or qualified guarantee entities. The off-balance sheet risk-weighted assets are measured by multiplying the nominal amounts with the credit conversion factors to come out the on-balance sheet assets equivalents, then applied same approach used for on-balance sheet assets for risk-weighted assets computation. Market risk-weighted assets are calculated by using the standardised approach. Operational risk-weighted assets are calculated by using basic indicator approach.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios in accordance with The Capital Rules for Commercial Banks *(Provisional)*. For the Group, the minimum ratios for core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio are 7.50%, 8.50% and 10.50%, respectively.

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10 Financial risk management *(continued)*

10.7 Capital management *(continued)*

The Group calculates the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and capital adequacy ratio in accordance with *The Capital Rules for Commercial Banks (Provisional)* and relevant requirements promulgated by the CBIRC as below:

	31 December 2021	31 December 2020
Core tier-one capital adequacy ratio	**9.04%**	8.51%
Tier-one capital adequacy ratio	**10.73%**	9.81%
Capital adequacy ratio	**13.64%**	13.04%
Components of capital base		
Core tier-one capital:		
Share capital	**43,782**	43,782
Valid portion of capital reserve	**58,149**	57,419
Surplus reserve	**51,843**	48,479
General reserve	**87,013**	86,599
Retained earnings	**243,144**	225,247
Valid portion of non-controlling interests	**7,070**	7,283
Others	**385**	(1,849)
Core tier-one capital	**491,386**	466,960
Core tier-one capital deductions	**(4,834)**	(5,039)
Net core tier-one capital	**486,552**	461,921
Net other tier-one capital	**90,527**	70,427
Net tier-one capital	**577,079**	532,348
Tier-two capital:		
Valid portion of tier-two capital instruments issued and share premium	**119,967**	143,947
Surplus provision for loan impairment	**34,772**	29,234
Valid portion of non-controlling interests	**1,885**	1,943
Net tier-two capital	**156,624**	175,124
Net capital base	**733,703**	707,472

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10 Financial risk management *(continued)*

10.7 Capital management *(continued)*

	31 December 2021	31 December 2020
Credit risk-weighted assets	**4,981,119**	5,019,411
Market risk-weighted assets	**71,775**	93,101
Operational risk-weighted assets	**326,564**	313,344
Total risk-weighted assets	**5,379,458**	5,425,856

11 Fair value of financial instruments

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date. This level includes listed equity securities and debt instruments on exchanges.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly. A majority of the debt securities classified as Level 2 are RMB bonds. The fair value of these bonds is determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on the valuation technique for which all significant inputs are observable market data. This level includes a majority of OTC derivative contracts, traded loans and issued structured debts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like China Bond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Wind, Bloomberg and Reuters.

Level 3: Parameters for valuation of assets or liabilities are based on unobservable inputs. The Level 3 financial instruments include equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs. The valuation models used include the discounted cash flow method and the market approach, etc. Unobservable inputs for valuation models include yield curve, discounts for lack of marketability (DLOM) and comparable company multiples, etc.

This hierarchy requires the use of observable open market data wherever possible. The Group tries its best to consider relevant and observable market prices in valuations.

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11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2021			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurrin basis:				
Financial assets at fair value through profit or loss				
Debt securities	–	66,108	2,335	68,443
Equity investments	2,071	2,085	23,123	27,279
Investment funds	170,646	19,836	529	191,011
Trust and asset management plans	–	8,738	4,122	12,860
Others	–	–	1,091	1,091
Financial assets at fair value through other comprehensive income				
Debt securities	–	426,582	622	427,204
Equity investments	–	5,700	2,625	8,325
Loans and advances to customers designated at fair value through other comprehensive income	–	286,451	–	286,451
Derivative financial assets				
Foreign exchange derivatives	–	24,790	–	24,790
Precious metal derivatives	–	1,521	–	1,521
Others	–	1,150	–	1,150
Total	172,717	842,961	34,447	1,050,125
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(21,468)	–	(21,468)
Precious metal derivatives	–	(3,641)	–	(3,641)
Others	–	(1,005)	–	(1,005)
Financial liabilities at fair value through profit or loss	–	(2,856)	–	(2,856)
Total	–	(28,970)	–	(28,970)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value *(continued)*

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Financial assets which are measured at fair value on a recurring basis:				
Financial assets at fair value through profit or loss				
Debt securities	18,164	55,411	1,276	74,851
Equity investments	17,709	–	21,479	39,188
Investment funds	190,744	–	–	190,744
Trust and asset management plans	–	–	12,343	12,343
Wealth management products	–	2,153	2,044	4,197
Others	–	–	1,157	1,157
Financial assets at fair value through other comprehensive income				
Debt securities	47,014	417,928	1,150	466,092
Equity investments	2,405	–	1,625	4,030
Loans and advances to customers designated at fair value through other comprehensive income	–	233,467	–	233,467
Derivative financial assets				
Foreign exchange derivatives	–	39,988	–	39,988
Precious metal derivatives	–	869	–	869
Others	–	1,428	–	1,428
Total	276,036	751,244	41,074	1,068,354
Liabilities				
Financial liabilities which are measured at fair value on a recurring basis:				
Derivative financial liabilities				
Foreign exchange derivatives	–	(37,279)	–	(37,279)
Precious metal derivatives	–	(3,673)	–	(3,673)
Others	–	(1,723)	–	(1,723)
Financial liabilities at fair value through profit or loss	–	(3,293)	–	(3,293)
Total	–	(45,968)	–	(45,968)

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11 Fair value of financial instruments *(continued)*

11.1 Financial instruments recorded at fair value *(continued)*

For equity instruments and debt instruments whose valuation involves one or more than one significant unobservable inputs, the fair value of the financial instruments classified under level 3 is not significantly influenced by the reasonable changes in these unobservable inputs.

11.2 Movement in level 3 financial instruments measured at fair value

The following table shows the movement of Level 3 financial instruments during the year:

	Year ended 31 December 2021			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
		Debt securities	Equity securities	Total
As at 1 January 2021	**38,299**	**1,150**	**1,625**	**41,074**
Total gains/(losses)				
In profit or loss	**(2,653)**	**102**	**–**	**(2,551)**
In other comprehensive income	**–**	**(382)**	**–**	**(382)**
Purchase/transfer in	**13,128**	**617**	**1,000**	**14,745**
Settlement/transfer out	**(17,574)**	**(865)**	**–**	**(18,439)**
As at 31 December 2021	**31,200**	**622**	**2,625**	**34,447**
Total realised (losses)/gains included in the consolidated statement of profit or loss	**(977)**	**102**	**–**	**(875)**
Total unrealised gains included in the consolidated statement of profit or loss	**(1,676)**	**–**	**–**	**(1,676)**

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11 Fair value of financial instruments *(continued)*

11.2 Movement in level 3 financial instruments measured at fair value *(continued)*

The following table shows the movement of Level 3 financial instruments during the period:

	Year ended 31 December 2020			
	Financial assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income		
		Debt securities	Equity securities	Total
As at 1 January 2020	50,582	1,828	1,125	53,535
Total gains/(losses)				
In profit or loss	1,946	–	–	1,946
In other comprehensive income	–	(75)	–	(75)
Purchase/transfer in	15,794	518	500	16,812
Settlement/transfer out	(30,023)	(1,121)	–	(31,144)
As at 31 December 2020	38,299	1,150	1,625	41,074
Total realised gains included in the consolidated statement of profit or loss	1,313	–	–	1,313
Total unrealised gains included in the consolidated statement of profit or loss	633	–	–	633

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11 Fair value of financial instruments *(continued)*

11.3 Fair value of financial assets and liabilities not carried at fair value

(1) Cash and balances with central bank, balances with banks and other financial institutions, placements with banks and other financial institutions, loans and advances to customers, long-term receivables, deposits and placements from banks and other financial institutions, borrowings from banks and other financial institutions, deposits from customers and financial assets held under resale agreements and sold under repurchase agreements

Given that these financial assets and financial liabilities mainly mature within a year or adopt floating interest rates, their book values approximate their fair values.

(2) Financial investments measured at amortised cost

The fair value for financial assets measured at amortised cost-bonds is usually measured based on "bid" market prices or brokers'/dealers' quotations. If relevant market information is not available, the fair value is based on quoted price of security products with similar characteristics such as credit risk, materiality and yield.

(3) Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

11 Fair value of financial instruments *(continued)*

11.3 Fair value of financial assets and liabilities not carried at fair value (continued)

The following table summarises the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised and cost debt securities issued:

	31 December 2021				
	Carrying amount	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Financial assets					
Financial assets measured at amortised cost	**1,298,220**	**1,358,398**	**–**	**1,264,052**	**94,346**
Financial liabilities					
Debt securities issued	**711,024**	**711,896**	**9,240**	**701,732**	**924**

	31 December 2020				
	Carrying amount	Fair value	Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	1,328,048	1,322,404	2,108	1,118,000	202,296
Financial liabilities					
Debt securities issued	957,880	958,040	12,065	945,975	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

12 Subsequent events

Up to the approval date of the consolidated financial statements, the Group had no material subsequent events for disclosure.

13 Comparative figures

Certain comparative data has been restated to conform to the presentation and disclosure of the current period.

14 Statement of financial position and Statement of changes in equity of the Bank

	31 December 2021	31 December 2020
ASSETS		
Cash and balances with central bank	**357,855**	397,828
Balances with banks and other financial institutions	**72,964**	38,654
Precious metals	**13,189**	6,782
Placements with banks and other financial institutions	**191,108**	247,103
Derivative financial assets	**27,461**	42,285
Financial assets held under resale agreements	**823**	18,933
Loans and advances to customers	**3,945,707**	3,762,333
Financial investments:		
– Financial assets at fair value through profit or loss	**294,753**	316,265
– Financial assets at fair value through other comprehensive income	**418,670**	458,466
– Financial assets measured at amortised cost	**1,296,413**	1,322,636
Property and equipment	**24,554**	22,362
Right-of-use assets	**13,137**	13,344
Deferred income tax assets	**48,983**	48,144
Investment in subsidiaries	**8,381**	7,381
Other assets	**40,869**	37,837
Total assets	**6,754,867**	6,740,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

14 Statement of financial position and Statement of changes in equity of the Bank *(continued)*

	31 December 2021	31 December 2020
LIABILITIES		
Borrowings from central bank	**278,835**	291,132
Deposits and placements from banks and other financial institutions	**1,292,062**	1,073,844
Financial liabilities at fair value through profit or loss	**2,856**	2,679
Derivative financial liabilities	**26,018**	42,418
Financial assets sold under repurchase agreements	**26,624**	56,606
Deposits from customers	**3,797,630**	3,736,667
Lease liabilities	**10,011**	10,090
Provisions	**2,250**	2,020
Debt securities issued	**710,092**	953,754
Current income tax liabilities	**8,135**	17,999
Other liabilities	**35,643**	32,614
Total liabilities	**6,190,156**	6,219,823
EQUITY		
Share capital	**43,782**	43,782
Other equity instrument	**89,964**	69,860
Including: Preference shares	**19,975**	29,867
Perpetual bonds	**69,989**	39,993
Reserves		
Capital reserve	**57,880**	57,150
Surplus reserve	**51,843**	48,479
General reserve	**85,278**	85,029
Other reserves	**686**	(1,679)
Retained earnings	**235,278**	217,909
Total equity	**564,711**	520,530
Total liabilities and equity	**6,754,867**	6,740,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

14 Statement of financial position and Statement of changes in equity of the Bank *(continued)*

	Reserves									
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total
At 31 December 2020	**43,782**	**69,860**	**57,150**	**48,479**	**85,029**	**(1,534)**	**(121)**	**(24)**	**217,909**	**520,530**
(I) Net profit	-	-	-	-	-	-	-	-	33,636	33,636
(II) Other comprehensive income, net of tax	-	-	-	-	-	2,284	64	17	-	2,365
Total comprehensive income	-	-	-	-	-	2,284	64	17	33,636	36,001
(III) Capital injection and deduction by equity holders										
1. Capital injection by other equity instrument holders	-	29,996	-	-	-	-	-	-	-	29,996
2. Capital deduction by other equity instrument holders	-	(9,892)	730	-	-	-	-	-	-	(9,162)
(IV) Profit distribution										
1. Appropriation to surplus reserve	-	-	-	3,364	-	-	-	-	(3,364)	-
2. Appropriation to general reserve	-	-	-	-	249	-	-	-	(249)	-
3. Cash dividends	-	-	-	-	-	-	-	-	(10,714)	(10,714)
4. Interest on perpetual bond	-	-	-	-	-	-	-	-	(1,940)	(1,940)
At 31 December 2021	**43,782**	**89,964**	**57,880**	**51,843**	**85,278**	**750**	**(57)**	**(7)**	**235,278**	**564,711**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

14 Statement of financial position and Statement of changes in equity of the Bank *(continued)*

			Reserves							
	Share capital	Other equity instrument	Capital reserve	Surplus reserve	General reserve	Investment revaluation reserve	Exchange reserve	Cash flow hedging reserve	Retained earnings	Total
At 31 December 2019	43,782	69,860	57,150	45,162	80,224	2,073	7	(3)	212,393	510,648
(I) Net profit	–	–	–	–	–	–	–	–	33,174	33,174
(II) Other comprehensive income, net of tax	–	–	–	–	–	(3,607)	(128)	(21)	–	(3,756)
Total comprehensive income	–	–	–	–	–	(3,607)	(128)	(21)	33,174	29,418
(III) Profit distribution										
1. Appropriation to surplus reserve	–	–	–	3,317	–	–	–	–	(3,317)	–
2. Appropriation to general reserve	–	–	–	–	4,805	–	–	–	(4,805)	–
3. Cash dividends	–	–	–	–	–	–	–	–	(17,596)	(17,596)
4. Interest on perpetual bond	–	–	–	–	–	–	–	–	(1,940)	(1,940)
At 31 December 2020	43,782	69,860	57,150	48,479	85,029	(1,534)	(121)	(24)	217,909	520,530

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

1 Liquidity coverage ratio

	As at 31 December 2021	Average for the year ended 31 December 2021	As at 31 December 2020	Average for the year ended 31 December 2020
Liquidity coverage ratio (%) (RMB and foreign currency)	**133.42%**	**125.26%**	128.37%	123.65%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the CBIRC and based on the financial information prepared in accordance with PRC GAAP.

According to the Measures for the Management of Liquidity Risks of Commercial Banks, the liquidity coverage of commercial banks should reach 100% by the end of 2018.

2 Currency concentrations

		31 December 2021			
		USD	HKD	Others	Total
Spot assets		**401,367**	**51,441**	**57,980**	**510,788**
Spot liabilities		**(359,811)**	**(42,255)**	**(13,061)**	**(415,127)**
Forward purchases		**1,149,335**	**16,201**	**49,213**	**1,214,749**
Forward sales		**(1,129,212)**	**(19,761)**	**(92,255)**	**(1,241,228)**
Net long/(short) position	(1)	**61,679**	**5,626**	**1,877**	**69,182**

		31 December 2020			
		USD	HKD	Others	Total
Spot assets		394,487	56,406	33,228	484,121
Spot liabilities		(371,774)	(37,454)	(32,472)	(441,700)
Forward purchases		967,178	21,872	33,054	1,022,104
Forward sales		(942,102)	(16,216)	(69,706)	(1,028,024)
Net long/(short) position	(1)	47,789	24,608	(35,896)	36,501

(1) The net option position is calculated using the delta equivalent approach as required by the Hong Kong Monetary Authority.

The Group has no structural position in the reported periods.

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

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

3 Loans and advances to customers

3.1 Impaired loans by geographical area

	31 December 2021		31 December 2020	
	Impaired loans	Allowance for impairment losses	Impaired loans	Allowance for impairment losses
Head Office	**16,793**	**14,745**	20,721	15,609
Central Region	**15,144**	**8,902**	12,094	7,281
Bohai Rim	**12,825**	**7,913**	12,595	6,697
Yangtze River Delta	**12,395**	**5,447**	9,329	4,163
Western Region	**11,131**	**5,278**	9,047	6,194
Pearl River Delta	**9,694**	**3,989**	6,295	2,591
Northeastern Region	**1,763**	**772**	2,829	1,419
Overseas and subsidiaries	**584**	**399**	755	414
Total	**80,329**	**47,445**	73,665	44,368

3.2 Loans overdue for more than 3 months by geographical area

	31 December 2021		31 December 2020	
	Overdue loans	Allowance for impairment losses	Overdue loans	Allowance for impairment losses
Head Office	**15,967**	**13,983**	20,506	15,382
Bohai Rim	**11,405**	**6,977**	9,115	4,373
Western Region	**8,477**	**4,302**	4,071	2,811
Yangtze River Delta	**7,549**	**3,280**	5,603	2,643
Pearl River Delta	**5,914**	**3,399**	2,853	1,405
Central Region	**5,900**	**3,565**	7,647	4,962
North-eastern Region	**1,499**	**655**	1,196	963
Overseas and subsidiaries	**619**	**291**	759	349
Total	**57,330**	**36,452**	51,750	32,888

UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

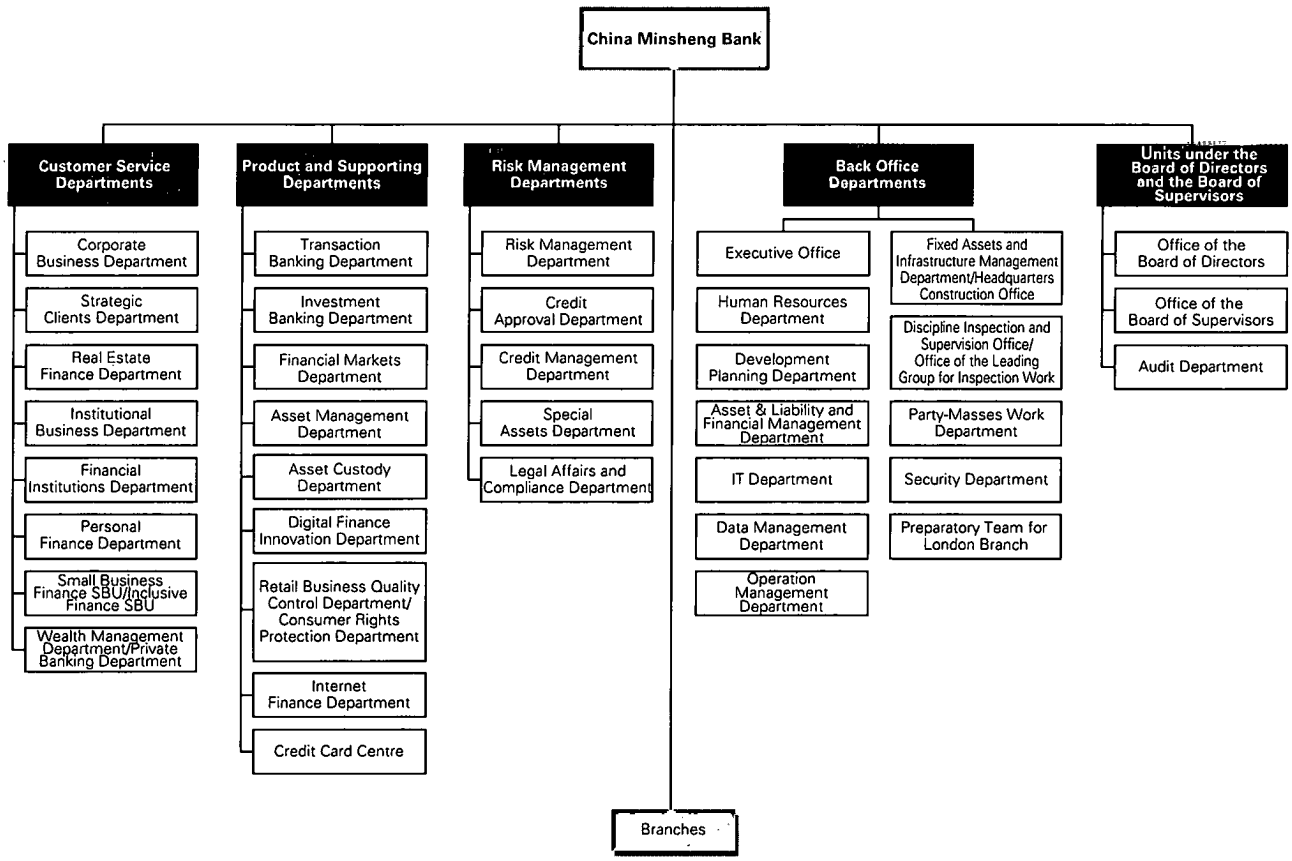
For the year ended 31 December 2021
(Expressed in millions of Renminbi, unless otherwise stated)

4 International claims

	31 December 2021				
	Asia Pacific	**North and South America**	**Europe**	**Other Locations**	**Total**
Banks	**56,915**	**50,702**	**18,251**	**6,484**	**132,352**
Public sector	**2,575**	**49,601**	**257**	**–**	**52,433**
Non-bank private sector	**95,615**	**125,104**	**22,372**	**18,232**	**261,323**
Total	**155,105**	**225,407**	**40,880**	**24,716**	**446,108**

	31 December 2020				
	Asia Pacific	North and South America	Europe	Other Locations	Total
Banks	51,437	47,025	13,514	2,641	114,617
Public sector	1,545	40,768	375	–	42,688
Non-bank private sector	96,387	152,891	33,347	16,453	299,078
Total	149,369	240,684	47,236	19,094	456,383

ORGANISATION STRUCTURE



LIST OF ENTITIES

Entity: **Beijing Branch**
Address: Unit 02, 1/F and 3-12/F, Tower B, Zhaotai International Centre, No. 10, Chaoyangmen Nan Avenue, Chaoyang District, Beijing
Postal code: 100020
Tel: 010-86602800
Fax: 010-86602828

Entity: **Shanghai Branch**
Address: No.100 Pudong Nan Road, Pudong New Area, Shanghai
Postal code: 200120
Tel: 021-61877000
Fax: 021-61877001

Entity: **Guangzhou Branch**
Address: Minsheng Tower, No.68 Liede Avenue, Zhujiang New Town, Tianhe District, Guangzhou
Postal code: 510623
Tel: 020-38380052
Fax: 020-38380000

Entity: **Shenzhen Branch**
Address: Minsheng Finance Tower, Haitian Road, Futian District, Shenzhen
Postal code: 518038
Tel: 0755-82806005
Fax: 0755-82806890

Entity: **Wuhan Branch**
Address: China Minsheng Bank Tower, No. 396 Xinhua Road, Jianghan District, Wuhan
Postal code: 430000
Tel: 027-85735530
Fax: 027-85735531

Entity: **Taiyuan Branch**
Address: 3-5/F, 9-21/F, Block 3, Tower B, Shanxi International Finance Centre, No. 426 Nanzhonghuan Street, Xiaodian District, Taiyuan
Postal code: 030006
Tel: 0351-8208620
Fax: 0351-8208407

Entity: **Shijiazhuang Branch**
Address: Minsheng Bank Tower, No.197 Yuhua Dong Road, Chang'an District, Shijiazhuang
Postal code: 050000
Tel: 0311-66889001
Fax: 0311-66889001

Entity: **Dalian Branch**
Address: Minsheng International Finance Centre, No. 52 Renmin Dong Road, Zhongshan District, Dalian
Postal code: 116001
Tel: 0411-62676655
Fax: 0411-62676985

Entity: **Nanjing Branch**
Address: Minsheng Bank, Block One, Zijin Finance Centre, No. 399 Jiangdong Zhong Road, Jianye District, Nanjin
Postal code: 210005
Tel: 025-83279000
Fax: 025-83279002

Entity: **Hangzhou Branch**
Address: Block Jinzun, Zunbao Mansion, No. 98 Shimin Street, Qianjiang New Town, Jianggan District, Hangzhou
Postal code: 310016
Tel: 0571-87232682
Fax: 0571-87239789

LIST OF ENTITIES

Entity: **Chongqing Branch**
Address: Tongjuyuanjing Building, No.9 Jianxin Bei Road, Jiangbei District, Chongqing
Postal code: 400020
Tel: 023-67695160
Fax: 023-67695107

Entity: **Xi'an Branch**
Address: Minsheng Bank, Building 5, Taihua Jinmao International, No. 16, Fenghui Nan Road, Gaoxin District, Xi'an
Postal code: 710065
Tel: 029-61812919
Fax: 029-61812922

Entity: **Fuzhou Branch**
Address: No. 282 Hudong Road, Fuzhou
Postal code: 350003
Tel: 0591-87617053
Fax: 0591-87617310

Entity: **Jinan Branch**
Address: No. 229 Luoyuan Street, Jinan
Postal code: 250002
Tel: 0531-86121680
Fax: 0531-86121690

Entity: **Ningbo Branch**
Address: No.815 Juxian Road, Gaoxin District, Ningbo
Postal code: 315048
Tel: 0574-87260600
Fax: 0574-83865645

Entity: **Chengdu Branch**
Address: Block 6, No.966 Tianfu Avenue Beiduan, Gaoxin District, Chengdu
Postal code: 610042
Tel: 028-85102116
Fax: 028-85102113

Entity: **Tianjin Branch**
Address: China Minsheng Bank Tower, No.43 Jianshe Road, Heping District, Tianjin
Postal code: 300040
Tel: 022-58925769
Fax: 022-58925000

Entity: **Kunming Branch**
Address: No. 11800 Caiyun Bei Road, Kunming
Postal code: 650011
Tel: 0871-68124568
Fax: 0871-68124777

Entity: **Quanzhou Branch**
Address: No.689 Citong Road, Fengze District, Quanzhou
Postal code: 362000
Tel: 0595-28008199
Fax: 0595-28008180

Entity: **Suzhou Branch**
Address: Minsheng Finance Tower, Block 23, Times Square, Suzhou Industrial Park, Suzhou
Postal code: 215028
Tel: 0512-67909326
Fax: 0512-62569005

Entity: **Qingdao Branch**
Address: No.190 Hai'er Road, Laoshan District, Qingdao
Postal code: 266100
Tel: 0532-58610007
Fax: 0532-58610009

Entity: **Wenzhou Branch**
Address: Minsheng Bank, Finance Tower, No. 1 Huaijiang Road, Lucheng District, Wenzhou
Postal code: 325000
Tel: 0577-88903715
Fax: 0577-88903777

LIST OF ENTITIES

Entity: **Xiamen Branch**
Address: Xiamen Minsheng Bank Tower, No. 50 Hubin Nan Road, Xiamen
Postal code: 361000
Tel: 0592-2383023
Fax: 0592-2682826

Entity: **Zhengzhou Branch**
Address: Minsheng Bank Tower, No.1 CBD Shangwu Waihuan Road, Zhengdong New District, Zhengzhou
Postal code: 450046
Tel: 0371-69166900
Fax: 0371-69166916

Entity: **Changsha Branch**
Address: Minsheng Tower, No.189 Binjiang Road, Yuelu District, Changsha
Postal code: 410013
Tel: 0731-84907020
Fax: 0731-84907010

Entity: **Changchun Branch**
Address: Minsheng Tower, No.500 Changchun Street, Nanguan District, Changchun
Postal code: 130041
Tel: 0431-81212253
Fax: 0431-88553099

Entity: **Hefei Branch**
Address: Yinbao Building, Intersection of Wuhu Xi Road and Jinzhai Road, Shushan District, Heifei
Postal code: 230041
Tel: 0551-65682937
Fax: 0551-65682901

Entity: **Nanchang Branch**
Address: No.545 Huizhan Road, Honggutan New District, Nanchang
Postal code: 330035
Tel: 0791-86751214
Fax: 0791-86761557

Entity: **Shantou Branch**
Address: 1-3/F, Huajing Plaza, No.17 Hanjiang Road, Longhu District, Shantou
Postal code: 515000
Tel: 0754-88363056
Fax: 0754-88363055

Entity: **Nanning Branch**
Address: 1-3/F, 3M/F, 30-31/F and 36/F, Block C, China Resources Building, No.136-5 Minzu Avenue, Nanning
Postal code: 530000
Tel: 0771-5778973
Fax: 0771-5772168

Entity: **Hohhot Branch**
Address: China Minsheng Bank Tower, Block C, Oriental Junzuo, No. 20 Chilechuan Avenue, Saihan District, Hohhot
Postal code: 010010
Tel: 0471-2849090
Fax: 0471-2849082

Entity: **Shenyang Branch**
Address: No.65 Nanjing Bei Street, Heping District, Shenyang
Postal code: 110001
Tel: 024-22587702
Fax: 024-22587716

Entity: **Hong Kong Branch**
Address: 3701-02, 3712-16 37/F and 40/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
Postal code: –
Tel: 00852-22816800
Fax: 00852-28992617

Entity: **Guiyang Branch**
Address: Building 8, Tianyi International Plaza, No. 33 Changling Nan Road, Gaoxin District, Guiyang
Postal code: 550081
Tel: 0851-88508011
Fax: 0851-88508012

LIST OF ENTITIES

Entity: **Haikou Branch**
Address: Zhonghuan International Plaza, No. 77 Binhai Avenue, Longhua District, Haikou
Postal code: 570105
Tel: 0898-36797777
Fax: 0898-36799888

Entity: **Lhasa Branch**
Address: Global Plaza, No.8 Beijing Xi Road, Lhasa
Postal code: 850000
Tel: 0891-6362490
Fax: 0891-6363808

Entity: **Shanghai Pilot Free Trade Zone Branch**
Address: 40/F and 41/F, No.100 Pudong Nan Road, Pudong New Area, Shanghai
Postal code: 200120
Tel: 021-61877993
Fax: 021-61876917

Entity: **Harbin Branch**
Address: China Minsheng Bank, No.11 Aijian Road, Daoli District, Harbin
Postal code: 150000
Tel: 0451-58569004
Fax: 0451-58569000

Entity: **Lanzhou Branch**
Address: 1-4/F, Gansu Daily Press Plaza, No.123 Baiyin Road, Chengguan District, Lanzhou
Postal code: 730030
Tel: 0931-6116100
Fax: 0931-6116100

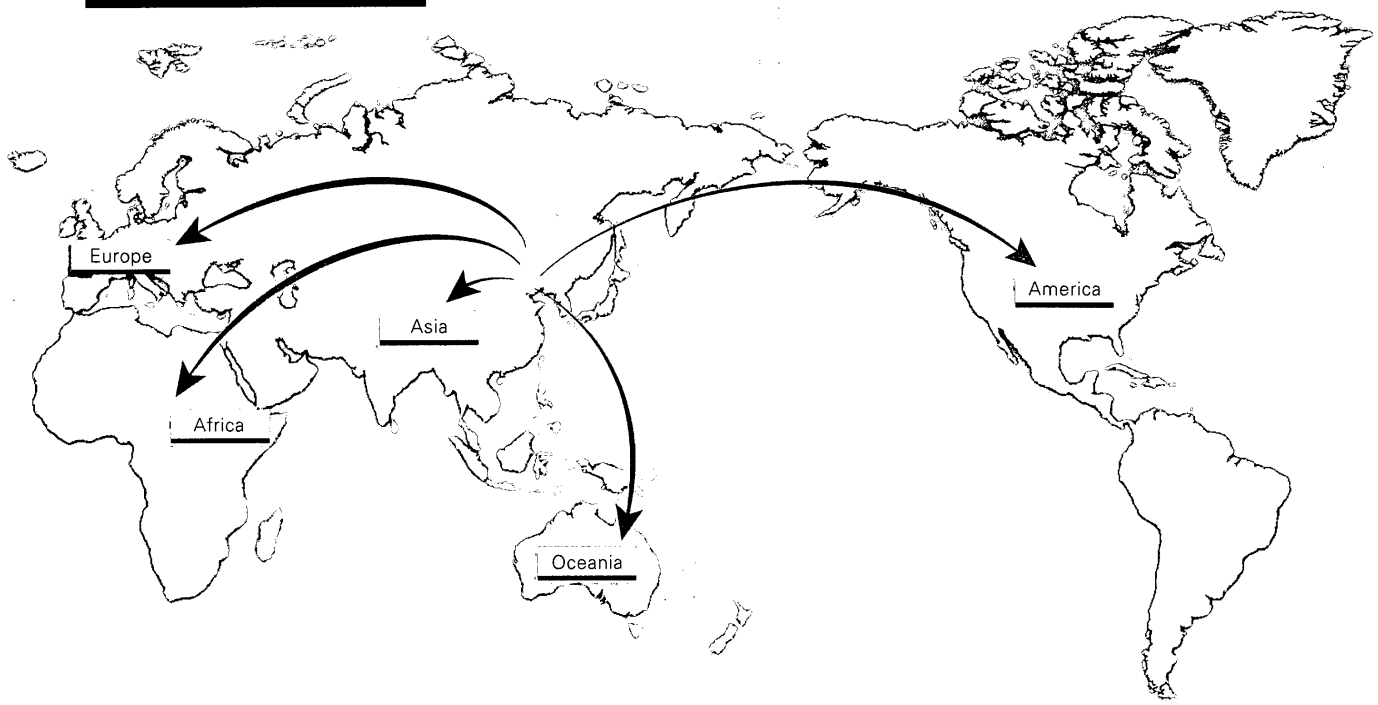
Entity: **Urumqi Branch**
Address: No.314 Yangzijiang Road, Saybagh District, Urumqi
Postal code: 830000
Tel: 0991-5515044
Fax: 0991-5515044

Entity: **Xining Branch**
Address: 1-4/F, Annex Building of Telecom Industrial Tower, No.102 Kunlun Zhong Road, Chengzhong District, Xining
Postal code: 810000
Tel: 0971-8257573
Fax: 0971-8257573

Entity: **Yinchuan Branch**
Address: 1-5/F, Block 19, Jinhaimingyue, No. 106, Shanghai Xi Road, Jinfeng District, Yinchuan
Postal code: 750004
Tel: 0951-8688713
Fax: 0951-8688726

Statistics of Correspondent Banks of China Minsheng Banking Corp., Ltd.

As at the end of 2021, the Bank had 1,379 correspondent banks in 105 countries and regions



This annual report is printed on environmental paper.

中国民生银行
CHINA MINSHENG BANK