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中国建设银行
China Construction Bank

中國建設銀行股份有限公司
CHINA CONSTRUCTION BANK CORPORATION

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

Stock Code: 939 (Ordinary H-share)

ANNOUNCEMENT OF ANNUAL RESULTS 2021

The board of directors of China Construction Bank Corporation (the “Bank”) is pleased to announce the audited results, which have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules of Hong Kong Stock Exchange”) and International Financial Reporting Standards (“IFRS”) promulgated by the International Accounting Standards Board, of the Bank and its subsidiaries (the “Group”) for the year ended 31 December 2021. The annual results for the year 2021 have been reviewed by the audit committee of the Bank’s board of directors, and the external auditors of the Bank have provided audit report with unqualified audit opinion.

1 FINANCIAL HIGHLIGHTS

The financial information set forth in this announcement of annual report is prepared on a consolidated basis in accordance with the IFRS and expressed in RMB unless otherwise stated.

(Expressed in millions of RMB unless otherwise stated)	2021	2020	Change (%)	2019	2018	2017
For the year						
Net interest income	605,420	575,909	5.12	537,066	508,842	459,607
Net fee and commission income	121,492	114,582	6.03	110,898	100,471	101,119
Other net non-interest income	37,794	23,733	59.25	30,037	24,459	33,305
Operating income	764,706	714,224	7.07	678,001	633,772	594,031
Operating expenses	(219,182)	(188,574)	16.23	(188,132)	(174,764)	(167,043)
Credit impairment losses	(167,949)	(193,491)	(13.20)	(163,000)	(151,109)	N/A
Other impairment losses	(766)	3,562	N/A	(521)	121	N/A
Profit before tax	378,412	336,616	12.42	326,597	308,160	299,787
Net profit	303,928	273,579	11.09	269,222	255,626	243,615
Net profit attributable to equity shareholders of the Bank	302,513	271,050	11.61	266,733	254,655	242,264
Net profit attributable to common shareholders of the Bank	297,975	265,426	12.26	262,771	250,719	241,219
As at 31 December						
Net loans and advances to customers	18,170,492	16,231,369	11.95	14,542,001	13,366,492	12,574,473
Total assets	30,253,979	28,132,254	7.54	25,436,261	23,222,693	22,124,383
Deposits from customers	22,378,814	20,614,976	8.56	18,366,293	17,108,678	16,363,754
Total liabilities	27,639,857	25,742,901	7.37	23,201,134	21,231,099	20,328,556
Total equity	2,614,122	2,389,353	9.41	2,235,127	1,991,594	1,795,827
Total equity attributable to equity shareholders of the Bank	2,588,231	2,364,808	9.45	2,216,257	1,976,463	1,779,760
Share capital	250,011	250,011	-	250,011	250,011	250,011
Common Equity Tier 1 capital after regulatory adjustments ¹	2,475,462	2,261,449	9.46	2,089,976	1,889,390	1,691,332
Additional Tier 1 capital after regulatory adjustments ¹	100,066	100,068	-	119,716	79,720	79,788
Tier 2 capital after regulatory adjustments ¹	676,754	471,164	43.63	427,896	379,536	231,952
Total capital after regulatory adjustments ¹	3,252,282	2,832,681	14.81	2,637,588	2,348,646	2,003,072
Risk-weighted assets ¹	18,215,893	16,604,591	9.70	15,053,291	13,659,497	12,919,980

1. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.

	2021	2020	Change + / (-)	2019	2018	2017
Profitability indicators (%)						
Return on average assets ¹	1.04	1.02	0.02	1.11	1.13	1.13
Return on average equity	12.55	12.12	0.43	13.18	14.04	14.80
Net interest spread	1.94	2.04	(0.10)	2.16	2.22	2.11
Net interest margin	2.13	2.19	(0.06)	2.32	2.36	2.23
Net fee and commission income to operating income	15.89	16.04	(0.15)	16.36	15.85	17.02
Cost-to-income ratio ²	27.64	25.38	2.26	26.75	26.61	27.15
Capital adequacy indicators (%)						
Common Equity Tier 1 ratio ³	13.59	13.62	(0.03)	13.88	13.83	13.09
Tier 1 ratio ³	14.14	14.22	(0.08)	14.68	14.42	13.71
Total capital ratio ³	17.85	17.06	0.79	17.52	17.19	15.50
Total equity to total assets	8.64	8.49	0.15	8.79	8.58	8.12
Asset quality indicators(%)						
Non-performing loan (NPL) ratio	1.42	1.56	(0.14)	1.42	1.46	1.49
Allowances to NPLs ⁴	239.96	213.59	26.37	227.69	208.37	171.08
Allowances to total loans ⁴	3.40	3.33	0.07	3.23	3.04	2.55
Per share (In RMB)						
			Change (%)			
Basic and diluted earnings per share	1.19	1.06	12.26	1.05	1.00	0.96
Final cash dividend proposed after the reporting period	0.364	0.326	11.66	0.320	0.306	0.291
Net assets per share attributable to ordinary shareholders of the Bank	9.95	9.06	9.82	8.39	7.59	6.80

1. Adjusted by dividing net profit by the average of total assets at the beginning and end of the year.

2. Operating expenses (after deduction of taxes and surcharges) divided by operating income.

3. Calculated in accordance with the relevant regulations of the *Capital Rules for Commercial Banks (Provisional)*, the advanced capital measurement approaches, and applicable rules for the transitional period.

4. Allowances for impairment losses on loans include the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income, and both total loans and NPLs do not include the accrued interest.

The following table sets forth the main quarterly financial indicators of the Group during the respective periods.

	2021				2020			
	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
(In millions of RMB)								
Operating income	195,350	185,557	191,632	192,167	186,405	173,519	176,030	178,270
Net profit attributable to equity shareholders of the Bank	83,115	70,185	78,853	70,360	80,855	56,771	68,206	65,218
Net cash received from operating activities	253,365	(81,206)	301,066	(36,507)	495,018	(432,318)	547,978	(29,993)

2 Financial Statements

Consolidated statement of comprehensive income

(Expressed in millions of RMB, unless otherwise stated)

	2021	2020	Change(%)
Interest income	1,057,334	989,509	6.85
Interest expense	(451,914)	(413,600)	9.26
Net interest income	605,420	575,909	5.12
Fee and commission income	138,637	131,512	5.42
Fee and commission expense	(17,145)	(16,930)	1.27
Net fee and commission income	121,492	114,582	6.03
Net trading gain	7,816	4,313	81.22
Dividend income	5,921	3,182	86.08
Net gain arising from investment securities	10,498	5,765	82.10
Net gain on derecognition of financial assets measured at amortised cost	4,634	4,649	(0.32)
Other operating income, net:			
- Other operating income	68,025	47,874	42.09
- Other operating expense	(59,100)	(42,050)	40.55
Other operating income, net	8,925	5,824	53.25
Operating income	764,706	714,224	7.07
Operating expenses	(219,182)	(188,574)	16.23
	545,524	525,650	3.78
Credit impairment losses	(167,949)	(193,491)	(13.20)
Other impairment losses	(766)	3,562	(121.50)
Share of profits of associates and joint ventures	1,603	895	79.11
Profit before tax	378,412	336,616	12.42
Income tax expense	(74,484)	(63,037)	18.16
Net profit	303,928	273,579	11.09

Consolidated statement of comprehensive income (continued)
(Expressed in millions of RMB, unless otherwise stated)

	<u>2021</u>	<u>2020</u>	<u>Change(%)</u>
Other comprehensive income:			
(1)Other comprehensive income that will not be reclassified to profit or loss			
Remeasurements of post-employment benefit obligations	(25)	479	(105.22)
Fair value changes of equity instruments designated as measured at fair value through other comprehensive income	(463)	(279)	65.95
Others	<u>115</u>	<u>24</u>	<u>379.17</u>
Subtotal	<u>(373)</u>	<u>224</u>	<u>(266.52)</u>
(2)Other comprehensive income that may be reclassified subsequently to profit or loss			
Fair value changes of debt instruments measured at fair value through other comprehensive income	12,943	(9,108)	(242.11)
Allowances for credit losses of debt instruments measured at fair value through other comprehensive income	556	(762)	(172.97)
Reclassification adjustments included in profit or loss due to disposals	(423)	(491)	(13.85)
Net gain/(loss) on cash flow hedges	320	(61)	(624.59)
Exchange difference on translating foreign operations	<u>(6,445)</u>	<u>(6,720)</u>	<u>(4.09)</u>
Subtotal	<u>6,951</u>	<u>(17,142)</u>	<u>(140.55)</u>
Other comprehensive income for the year, net of tax	<u>6,578</u>	<u>(16,918)</u>	<u>(138.88)</u>

Consolidated statement of comprehensive income (continued)
(Expressed in millions of RMB, unless otherwise stated)

	<u>2021</u>	<u>2020</u>	<u>Change(%)</u>
Total comprehensive income for the year	<u>310,506</u>	<u>256,661</u>	<u>20.98</u>
Net profit attributable to:			
Equity shareholders of the Bank	<u>302,513</u>	271,050	11.61
Non-controlling interests	<u>1,415</u>	2,529	(44.05)
	<u>303,928</u>	<u>273,579</u>	<u>11.09</u>
Total comprehensive income attributable to:			
Equity shareholders of the Bank	<u>308,803</u>	254,112	21.52
Non-controlling interests	<u>1,703</u>	2,549	(33.19)
	<u>310,506</u>	<u>256,661</u>	<u>20.98</u>
Basic and diluted earnings per share (in RMB Yuan)	<u>1.19</u>	<u>1.06</u>	<u>12.26</u>

Consolidated statement of financial position
(Expressed in millions of RMB, unless otherwise stated)

	31 December	31 December	
	2021	2020	<u>Change(%)</u>
Assets:			
Cash and deposits with central banks	2,763,892	2,816,164	(1.86)
Deposits with banks and non-bank financial institutions	155,107	453,233	(65.78)
Precious metals	121,493	101,671	19.50
Placements with banks and non-bank financial institutions	188,162	368,404	(48.93)
Positive fair value of derivatives	31,550	69,029	(54.29)
Financial assets held under resale agreements	549,078	602,239	(8.83)
Loans and advances to customers	18,170,492	16,231,369	11.95
Financial investments			
Financial assets measured at fair value through profit or loss	545,273	577,952	(5.65)
Financial assets measured at amortised cost	5,155,168	4,505,243	14.43
Financial assets measured at fair value through other comprehensive income	1,941,478	1,867,458	3.96
Long-term equity investments	18,875	13,702	37.75
Fixed assets	168,326	172,505	(2.42)
Land use rights	13,630	14,118	(3.46)
Intangible assets	5,858	5,279	10.97
Goodwill	2,141	2,210	(3.12)
Deferred tax assets	92,343	92,950	(0.65)
Other assets	331,113	238,728	38.70
Total assets	<u>30,253,979</u>	<u>28,132,254</u>	<u>7.54</u>

Consolidated statement of financial position (continued)
(Expressed in millions of RMB, unless otherwise stated)

	31 December	31 December	Change(%)
	2021	2020	
Liabilities:			
Borrowings from central banks	685,033	781,170	(12.31)
Deposits from banks and non-bank financial institutions	1,932,926	1,943,634	(0.55)
Placements from banks and non-bank financial institutions	299,275	349,638	(14.40)
Financial liabilities measured at fair value through profit or loss	229,022	254,079	(9.86)
Negative fair value of derivatives	31,323	81,956	(61.78)
Financial assets sold under repurchase agreements	33,900	56,725	(40.24)
Deposits from customers	22,378,814	20,614,976	8.56
Accrued staff costs	40,998	35,460	15.62
Taxes payable	86,342	84,161	2.59
Provisions	45,903	54,114	(15.17)
Debt securities issued	1,323,377	940,197	40.76
Deferred tax liabilities	1,395	1,551	(10.06)
Other liabilities	551,549	545,240	1.16
Total liabilities	27,639,857	25,742,901	7.37

Consolidated statement of financial position (continued)
(Expressed in millions of RMB, unless otherwise stated)

	31 December	31 December	Change(%)
	2021	2020	
Equity:			
Share capital	250,011	250,011	-
Other equity instruments			
Preference shares	59,977	59,977	-
Perpetual bonds	39,991	39,991	-
Capital reserve	134,925	134,263	0.49
Other comprehensive income	21,338	15,048	41.80
Surplus reserve	305,571	275,995	10.72
General reserve	381,621	350,228	8.96
Retained earnings	1,394,797	1,239,295	12.55
Total equity attributable to equity shareholders of the Bank	2,588,231	2,364,808	9.45
Non-controlling interests	25,891	24,545	5.48
Total equity	2,614,122	2,389,353	9.41
Total liabilities and equity	30,253,979	28,132,254	7.54

Consolidated statement of changes in equity
(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank									
	Share capital	Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total equity
As at 1 January 2021	250,011	59,977	39,991	134,263	15,048	275,995	350,228	1,239,295	24,545	2,389,353
Movements during the year	-	-	-	662	6,290	29,576	31,393	155,502	1,346	224,769
(1) Total comprehensive income for the year	-	-	-	-	6,290	-	-	302,513	1,703	310,506
(2) Changes in share capital										
i Change in shareholdings in subsidiaries	-	-	-	662	-	-	-	-	109	771
(3) Profit distribution										
i Appropriation to surplus reserve	-	-	-	-	-	29,576	-	(29,576)	-	-
ii Appropriation to general reserve	-	-	-	-	-	-	31,393	(31,393)	-	-
iii Dividends to ordinary shareholders	-	-	-	-	-	-	-	(81,504)	-	(81,504)
iv Dividends to other equity instruments holders	-	-	-	-	-	-	-	(4,538)	-	(4,538)
v Dividends to non-controlling interests holders	-	-	-	-	-	-	-	-	(466)	(466)
As at 31 December 2021	250,011	59,977	39,991	134,925	21,338	305,571	381,621	1,394,797	25,891	2,614,122

Consolidated statement of changes in equity (continued)
(Expressed in millions of RMB, unless otherwise stated)

	Attributable to equity shareholders of the Bank								Total equity	
	Share capital	Other equity instruments Preference shares	Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	General reserve	Retained earnings		Non-controlling interests
As at 1 January 2020	250,011	79,636	39,991	134,537	31,986	249,178	314,389	1,116,529	18,870	2,235,127
Movements during the year	-	(19,659)	-	(274)	(16,938)	26,817	35,839	122,766	5,675	154,226
(1) Total comprehensive income for the year	-	-	-	-	(16,938)	-	-	271,050	2,549	256,661
(2) Changes in share capital										
i Capital injection by other shareholders	-	-	-	-	-	-	-	-	3,607	3,607
ii Capital deduction by other equity instruments holders	-	(19,659)	-	(274)	-	-	-	-	-	(19,933)
iii Disposal of subsidiaries	-	-	-	-	-	-	-	-	(15)	(15)
iv Change in shareholdings in subsidiaries	-	-	-	-	-	-	-	-	46	46
(3) Profit distribution										
i Appropriation to surplus reserve	-	-	-	-	-	26,817	-	(26,817)	-	-
ii Appropriation to general reserve	-	-	-	-	-	-	35,839	(35,839)	-	-
iii Dividends to ordinary shareholders	-	-	-	-	-	-	-	(80,004)	-	(80,004)
iv Dividends to other equity instruments holders	-	-	-	-	-	-	-	(5,624)	-	(5,624)
v Dividends to non-controlling interests holders	-	-	-	-	-	-	-	-	(512)	(512)
As at 31 December 2020	250,011	59,977	39,991	134,263	15,048	275,995	350,228	1,239,295	24,545	2,389,353

Consolidated statement of cash flows
(Expressed in millions of RMB, unless otherwise stated)

	<u>2021</u>	<u>2020</u>
<i>Cash flows from operating activities :</i>		
Profit before tax	378,412	336,616
<i>Adjustments for:</i>		
-Credit impairment losses	167,949	193,491
-Other impairment losses	766	(3,562)
-Depreciation and amortisation	27,295	26,182
-Interest income from impaired financial assets	(4,810)	(3,924)
-Revaluation (gain)/loss on financial instruments measured at fair value through profit or loss	(6,551)	640
-Share of profits of associates and joint ventures	(1,603)	(895)
-Dividend income	(5,921)	(3,182)
-Unrealised foreign exchange (gain)/loss	(348)	14,133
-Interest expense on bonds issued	19,405	16,669
-Interest income from investment securities and net income from disposal	(236,164)	(215,482)
-Net (gain)/loss on disposal of fixed assets and other long-term assets	(251)	319
	<u>338,179</u>	<u>361,005</u>

Consolidated statement of cash flows (continued)
(Expressed in millions of RMB, unless otherwise stated)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities (continued):		
<i>Changes in operating assets:</i>		
Net decrease/(increase) in deposits with central banks and with banks and non-bank financial institutions	368,327	(392,876)
Net decrease in placements with banks and non-bank financial institutions	86,583	144,967
Net decrease/(increase) in financial assets held under resale agreements	52,784	(45,096)
Net increase in loans and advances to customers	(2,125,561)	(1,917,020)
Net decrease in financial assets held for trading purposes	47,290	58,482
Net increase in other operating assets	(105,043)	(77,590)
	<u>(1,675,620)</u>	<u>(2,229,133)</u>
<i>Changes in operating liabilities:</i>		
Net (decrease)/increase in borrowings from central banks	(93,844)	230,568
Net increase in deposits from customers and from banks and non-bank financial institutions	1,706,255	2,519,121
Net decrease in placements from banks and non-bank financial institutions	(45,999)	(152,997)
Net decrease in financial liabilities measured at fair value through profit or loss	(24,632)	(26,382)
Net decrease in financial assets sold under repurchase agreements	(22,366)	(56,949)
Net increase/(decrease) in certificates of deposit issued	265,824	(156,782)
Income tax paid	(77,540)	(82,457)
Net increase in other operating liabilities	66,461	174,691
	<u>1,774,159</u>	<u>2,448,813</u>
Net cash from operating activities	<u>436,718</u>	<u>580,685</u>

Consolidated statement of cash flows (continued)
(Expressed in millions of RMB, unless otherwise stated)

	<u>2021</u>	<u>2020</u>
<i>Cash flows from investing activities:</i>		
Proceeds from sales and redemption of financial investments	1,891,859	2,160,828
Interest and dividends received	236,568	208,372
Proceeds from disposal of fixed assets and other long-term assets	2,953	1,630
Purchase of investment securities	(2,623,732)	(2,982,229)
Purchase of fixed assets and other long-term assets	(21,235)	(25,743)
Acquisition of subsidiaries, associates and joint ventures	(4,961)	(4,995)
Cash payment for other investing activities	-	(21)
Net cash used in investing activities	<u>(518,548)</u>	<u>(642,158)</u>
<i>Cash flows from financing activities:</i>		
Issue of bonds	210,676	118,103
Cash received from subsidiaries' capital injection by non-controlling interests holders	771	676
Dividends paid	(86,364)	(86,140)
Repayment of borrowings	(81,899)	(79,240)
Cash payment for redemption of other equity instruments	-	(19,933)
Cash paid by subsidiaries for purchase of non-controlling interests holders' equity	-	(44)
Interest paid on bonds issued	(17,805)	(15,888)
Cash payment for other financing activities	(9,256)	(7,494)
Net cash from/(used in) financing activities	<u>16,123</u>	<u>(89,960)</u>

Consolidated statement of cash flows (continued)
(Expressed in millions of RMB, unless otherwise stated)

	<u>2021</u>	<u>2020</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(7,624)</u>	<u>(21,976)</u>
Net decrease in cash and cash equivalents	(73,331)	(173,409)
Cash and cash equivalents as at 1 January	<u>878,931</u>	<u>1,052,340</u>
Cash and cash equivalents as at 31 December	<u>805,600</u>	<u>878,931</u>
Cash flows from operating activities include:		
Interest received, excluding interest income from investment securities	823,053	770,747
Interest paid, excluding interest expense on bonds issued	<u>(360,694)</u>	<u>(325,900)</u>

Notes:

(1) The financial statements of the Group for the year ended 31 December 2021 have been prepared in accordance with IFRS as issued by the International Accounting Standards Board. These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622), and the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(2) Except for the new or revised IFRS and Interpretations effective for the year ended 31 December 2021 and adopted by the Group, there are no significant changes in the accounting policies adopted in the preparation of the results announcement compared to the year ended 31 December 2020.

(3) Unless otherwise stated, the financial figures are expressed in millions of RMB.

(4) For the purpose of this results announcement, Mainland China refers to the PRC excluding the Hong Kong Special Administrative Region of the PRC (“Hong Kong”), the Macau Special Administrative Region of the PRC and Taiwan.

(5) Net gain arising from investment securities

	<u>2021</u>	<u>2020</u>
Net gain related to financial assets designated as measured at fair value through profit or loss	2,579	5,121
Net loss related to financial liabilities designated as measured at fair value through profit or loss	(11,815)	(10,300)
Net gain related to other financial assets and liabilities measured at fair value through profit or loss	18,246	9,825
Net gain related to financial assets measured at fair value through other comprehensive income	1,449	823
Others	39	296
Total	<u>10,498</u>	<u>5,765</u>

(6) Operating expenses

	<u>2021</u>	<u>2020</u>
Staff costs		
- Salaries, bonuses, allowances and subsidies	79,673	71,356
- Defined contribution plans	14,664	12,261
- Housing funds	7,273	6,809
- Union running costs and employee education costs	3,463	2,624
- Early retirement expenses	1	17
- Compensation to employees for termination of employment relationship	5	5
- Others	13,159	11,281
	<u>118,238</u>	<u>104,353</u>
Premises and equipment expenses		
- Depreciation charges	24,055	23,381
- Rent and property management expenses	4,164	4,299
- Maintenance	3,205	3,424
- Utilities	1,810	1,657
- Others	2,308	2,168
	<u>35,542</u>	<u>34,929</u>
Taxes and surcharges	7,791	7,325
Amortisation expenses	3,240	2,801
Other general and administrative expenses	54,371	39,166
	<u>54,371</u>	<u>39,166</u>
Total	<u>219,182</u>	<u>188,574</u>

(7) Income tax expense
① Income tax expense

	<u>2021</u>	<u>2020</u>
Current tax	79,228	78,345
- Mainland China	77,135	75,721
- Hong Kong	1,231	1,252
- Other countries and regions	862	1,372
Adjustments for prior years	(709)	906
Deferred tax	(4,035)	(16,214)
Total	<u>74,484</u>	<u>63,037</u>

The provisions for income taxes for Mainland China and Hong Kong are calculated at 25% and 16.5% of the estimated taxable income from Mainland China and Hong Kong operations for the reporting period, respectively. Taxation for other overseas operations is charged at the appropriate current rates of taxation ruling in the relevant tax jurisdictions.

② Reconciliation between income tax expense and accounting profit

	Note	<u>2021</u>	<u>2020</u>
Profit before tax		<u>378,412</u>	<u>336,616</u>
Income tax calculated at the 25% statutory tax rate		<u>94,603</u>	<u>84,154</u>
Effects of different applicable rates of tax prevailing in other countries/regions		(89)	(116)
Non-deductible expenses	(i)	28,519	21,454
Non-taxable income	(ii)	(47,840)	(43,361)
Adjustments on income tax for prior years which affect profit or loss		<u>(709)</u>	<u>906</u>
Income tax expense		<u>74,484</u>	<u>63,037</u>

(i) Non-deductible expenses primarily include non-deductible losses resulting from write-offs, impairment losses, and items that are in excess of deductible amount under the relevant PRC tax regulations such as staff costs and entertainment expenses.

(ii) Non-taxable income primarily includes interest income from PRC government bonds and local government bonds.

(8) Earnings per share

Basic earnings per share for the years ended 31 December 2021 and 2020 have been computed by dividing the net profit attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the years.

For the purpose of calculating basic earnings per share, dividends on non-cumulative preference shares declared in respect of the period and the perpetual bond interest paid in the period should be deducted from the amount attributable to equity shareholders of the Bank.

The conversion feature of preference shares are considered to be contingently issuable ordinary shares. The triggering events of conversion did not occur for the years ended 31 December 2021 and 2020, therefore the conversion feature of preference shares has no effect on the basic and diluted earnings per share calculations.

	<u>2021</u>	<u>2020</u>
Net profit attributable to equity shareholders of the Bank	302,513	271,050
Less: Profit for the year attributable to other equity instruments holders of the Bank	(4,538)	(5,624)
Net profit attributable to ordinary shareholders of the Bank	297,975	265,426
Weighted average number of ordinary shares (in millions of shares)	250,011	250,011
Basic earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	1.19	1.06
Diluted earnings per share attributable to ordinary shareholders of the Bank (in RMB Yuan)	1.19	1.06

(9) Derivatives and hedge accounting

① Analysed by type of contracts

	Note	31 December 2021			31 December 2020		
		Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Interest rate contracts		584,102	1,870	2,296	650,225	1,802	4,168
Exchange rate contracts		3,183,567	27,578	27,772	3,461,021	63,881	73,376
Other contracts	(a)	130,138	2,102	1,255	126,071	3,346	4,412
Total		<u>3,897,807</u>	<u>31,550</u>	<u>31,323</u>	<u>4,237,317</u>	<u>69,029</u>	<u>81,956</u>

② Analysed by counterparty credit risk-weighted assets

	Note	31 December 2021	31 December 2020
Counterparty credit default risk-weighted assets			
- Interest rate contracts		3,387	4,073
- Exchange rate contracts		39,036	38,946
- Other contracts	(a)	16,082	10,015
Subtotal		<u>58,505</u>	<u>53,034</u>
Risk-weighted assets for credit valuation adjustment		13,618	14,739
Total		<u>72,123</u>	<u>67,773</u>

The notional amounts of derivatives only represent the unsettled transaction volume as at the end of the reporting period, instead of the amount of risk assets. Since 1 January 2013, the Group has adopted Capital Rules for Commercial Banks (Provisional) and other related policies. According to the rules set out by the CBIRC, the counterparty credit risk-weighted assets included risk-weighted assets for credit valuation adjustments with the considerations of counterparty status and maturity characteristic, and included back-to-back client-driven transactions. The risk-weighted assets for counterparty credit risk of derivatives of the Group were calculated in accordance with the Rules on Measuring Derivative Counterparty Default Risk Assets since 1 January 2019.

(a) Other contracts mainly consist of precious metals and commodity contracts.

(9) Derivatives and hedge accounting (continued)
③ Hedge accounting

The following designated hedging instruments are included in the derivative financial instruments disclosed above.

	31 December 2021			31 December 2020		
	Notional amounts	Assets	Liabilities	Notional amounts	Assets	Liabilities
Fair value hedges						
Interest rate swaps	47,695	197	(522)	29,692	62	(1,131)
Cross currency swaps	29	-	-	30	-	(3)
Cash flow hedges						
Foreign exchange swaps	11,102	49	(55)	7,082	273	(82)
Cross currency swaps	636	-	(48)	654	-	(95)
Interest rate swaps	2,894	7	(18)	8,028	-	(160)
Total	62,356	253	(643)	45,486	335	(1,471)

(a) Fair value hedges

The Group uses interest rate swaps and cross currency swaps to hedge against changes in fair value of financial assets measured at fair value through other comprehensive income, debt securities issued, and loans and advances to customers arising from changes in interest rates and exchange rates.

Net gains/(losses) on fair value hedges are as follows:

	2021	2020
Net gains/(losses) on		
- hedging instruments	686	(837)
- hedged items	(672)	824

The gain and loss arising from the ineffective portion of fair value hedges was immaterial for the year ended 31 December 2021 and 2020.

(b) Cash flow hedges

The Group uses foreign exchange swaps, cross currency swaps and interest rate swaps to hedge against exposures to cash flow variability primarily from foreign exchange and interest rate risks of deposits from customers, loans and advances to customers, debt securities issued, placements from banks and non-bank financial institutions, and placements with banks and non-bank financial institutions. The maturities of hedging instruments and hedged items are both within five years.

(9) Derivatives and hedge accounting (continued)
③ Hedge accounting (continued)
(b) Cash flow hedges (continued)

For the year ended 31 December 2021, the Group's net gain from the cash flow hedges of RMB320 million was recognised in other comprehensive income (for the year ended 31 December 2020: net loss from cash flow hedges of RMB61 million), and the gain and loss arising from the ineffective portion of cash flow hedges was immaterial.

(10) Deposits from customers

	<u>31 December 2021</u>	<u>31 December 2020</u>
Demand deposits		
- Corporate customers	6,616,784	6,354,893
- Personal customers	4,920,726	4,716,452
Subtotal	11,537,510	11,071,345
Time deposits (including call deposits)		
- Corporate customers	3,949,459	3,596,898
- Personal customers	6,541,654	5,670,385
Subtotal	10,491,113	9,267,283
Accrued interest	350,191	276,348
Total	22,378,814	20,614,976
Deposits from customers include:		
	<u>31 December 2021</u>	<u>31 December 2020</u>
① Pledged deposits		
- Deposits for acceptance	79,552	63,427
- Deposits for guarantee	38,268	42,540
- Deposits for letter of credit	17,944	17,760
- Others	191,702	190,387
Total	327,466	314,114
② Outward remittance and remittance payables	12,824	17,542

(11) Commitments and contingent liabilities

① Credit commitments

Credit commitments take the form of undrawn loan facilities which are approved and contracted, unutilised credit card limits, financial guarantees, letters of credit, etc. The Group assesses and makes allowance for any probable losses accordingly.

The contractual amounts of loan commitments and credit card overdraft 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 failed completely to perform as contracted. Acceptances comprise undertakings by the Group to pay bills of exchange drawn on customers.

As credit commitments may expire without being drawn upon, the contractual amounts set out in the following table do not represent the expected future cash outflows.

	31 December 2021	31 December 2020
Loan commitments		
- with an original maturity within one year	65,623	94,762
- with an original maturity of one year or more	350,767	488,350
Credit card commitments	1,149,306	1,068,582
	1,565,696	1,651,694
Bank acceptances	322,698	278,231
Financing guarantees	48,127	46,656
Non-financing guarantees	1,241,473	1,236,368
Sight letters of credit	41,858	43,329
Usance letters of credit	143,941	141,600
Others	6,101	15,652
Total	3,369,894	3,413,530

(11) Commitments and contingent liabilities (continued)
② Credit risk-weighted amount

The credit risk-weighted amount refers to the amount as computed in accordance with the rules set out by the CBIRC and depends on the status of the counterparty and the maturity characteristics.

	<u>31 December 2021</u>	<u>31 December 2020</u>
Credit risk-weighted amount of contingent liabilities and commitments	<u>1,118,908</u>	<u>1,108,129</u>

③ Capital commitments

As at 31 December 2021, the Group's contracted for but not disbursed capital commitments amounted to RMB5,781 million (as at 31 December 2020: RMB15,004 million).

④ Underwriting obligations

As at 31 December 2021, there was no unexpired underwriting commitment of the Group (as at 31 December 2020: Nil).

⑤ Government bond redemption obligations

As an underwriting agent of PRC government bonds, the Group has the responsibility to buy back those bonds sold by it should the holders decide to early redeem the bonds held. The redemption price for the bonds at any time before their maturity date is based on the coupon value plus any interest unpaid and accrued up to the redemption date. Accrued interest payables to the bond holders are calculated in accordance with relevant rules of the Ministry of Finance ("MOF") and the People's Bank of China ("PBOC"). The redemption price may be different from the fair value of similar instruments traded at the redemption date.

The redemption obligations, which represent the nominal value of government bonds underwritten and sold by the Group, but not yet matured as at 31 December 2021, were RMB65,119 million (as at 31 December 2020: RMB74,435 million).

(11) Commitments and contingent liabilities (continued)**⑥ Outstanding litigations and disputes**

As at 31 December 2021, the Group was the defendant in certain pending litigations and disputes with gross claims of RMB8,765 million (as at 31 December 2020: RMB9,424 million). Provisions have been made for the estimated losses arising from such litigations based upon the opinions of the Group's internal and external legal counsels. The Group considers that the provisions made are reasonable and adequate.

⑦ Provision against commitments and contingent liabilities

The Group assessed and made provisions for any probable outflow of economic benefits in relation to the commitments and contingent liabilities in accordance with their accounting policies.

⑧ Impact of the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions*

In accordance with the *Guiding Opinions on Regulating the Asset Management Business of Financial Institutions* jointly issued by the PBOC and three other ministries as well as the PBOC's announcement to extend the transition period to 2021, financial institutions with difficulty in completing the rectification may apply for disposal of assets on a case-by-case basis. In addition to assets for which the Group had applied to regulators for disposal on a case-by-case basis, the Group has completed the rectification of legacy wealth management business and recognised its impact in 2021 financial statements in terms of provisions and credit impairment losses. The Group will duly implement relevant policies and regulatory requirements, and continue to assess and disclose relevant impact, and strive to complete the rectification as soon as possible.

(12) Operating segments

The Group has presented the operating segments in a manner consistent with the way in which information is reported internally to the Group's chief operating decision makers for the purposes of resource allocation and performance assessment. Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies.

Transactions between segments are conducted under normal commercial terms and conditions. Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/expense". Interest income and expense earned from third parties are referred to as "external net interest income/expense".

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment income and results are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the period to acquire fixed assets, intangible assets and other long-term assets.

① Geographical segments

The Group operates principally in Mainland China with branches covering all provinces, autonomous regions and municipalities directly under the central government, and several subsidiaries located in Mainland China. The Group also has bank branch operations in Hong Kong, Macau, Taiwan, Singapore, Frankfurt, Johannesburg, Tokyo, Seoul, New York, Sydney, Ho Chi Minh City, Luxembourg, Toronto, London, Zurich, Dubai, Chile, Astana, Labuan, Auckland, etc., and certain subsidiaries operating in Hong Kong, London, Moscow, Luxembourg, British Virgin Islands, Auckland, Jakarta, San Paulo and Kuala Lumpur, etc.

In presenting information on the basis of geographical segments, operating income is allocated based on the location of the branches and subsidiaries that generate the income. Segment assets, liabilities and capital expenditure are allocated based on their geographical location.

(12) Operating segments (continued)**① Geographical segments (continued)**

Geographical segments of the Group, as defined for management reporting purposes, are defined as follows:

- “Yangtze River Delta” refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanghai Municipality, Jiangsu Province, Zhejiang Province, City of Ningbo and City of Suzhou;
- “Pearl River Delta” refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Guangdong Province, City of Shenzhen, Fujian Province and City of Xiamen;
- “Bohai Rim” refers to the following areas where the tier-1 branches and the subsidiaries of the Bank operate: Beijing Municipality, Shandong Province, Tianjin Municipality, Hebei Province and City of Qingdao;
- the “Central” region refers to the following areas where the tier-1 branches and the subsidiary of the Bank operate: Shanxi Province, Guangxi Autonomous Region, Hubei Province, Henan Province, Hunan Province, Jiangxi Province, Hainan Province and Anhui Province;
- the “Western” region refers to the following areas where the tier-1 branches of the Bank operate: Sichuan Province, Chongqing Municipality, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Inner Mongolia Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Autonomous Region and Xinjiang Autonomous Region; and
- the “Northeastern” region refers to the following areas where the tier-1 branches of the Bank operate: Liaoning Province, Jilin Province, Heilongjiang Province and City of Dalian.

(12) Operating segments (continued)

① Geographical segments (continued)

	Year ended 31 December 2021								Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	
External net interest income	70,090	64,960	38,437	80,228	64,601	4,528	269,321	13,255	605,420
Internal net interest income/(expense)	31,928	27,071	51,023	33,563	32,523	21,577	(197,327)	(358)	-
Net interest income	102,018	92,031	89,460	113,791	97,124	26,105	71,994	12,897	605,420
Net fee and commission income	19,900	26,302	20,522	18,551	13,097	4,054	16,343	2,723	121,492
Net trading gain/(loss)	762	287	376	279	91	18	6,658	(655)	7,816
Dividend income	621	6	4,510	188	57	-	350	189	5,921
Net (loss)/gain arising from investment securities	(1,699)	(989)	14	(1,532)	6,529	(260)	9,774	(1,339)	10,498
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(5)	-	1	-	-	-	4,638	-	4,634
Other operating (expense)/income, net	(5,147)	298	1,544	(112)	1,602	50	5,248	5,442	8,925
Operating income	116,450	117,935	116,427	131,165	118,500	29,967	115,005	19,257	764,706
Operating expenses	(33,108)	(27,853)	(33,808)	(38,346)	(34,315)	(12,539)	(22,372)	(16,841)	(219,182)
Credit impairment losses	(22,820)	(30,808)	(18,589)	(29,423)	(25,175)	(13,610)	(23,883)	(3,641)	(167,949)
Other impairment losses	(80)	(16)	(109)	(9)	(2)	(12)	(356)	(182)	(766)
Share of profits/(losses) of associates and joint ventures	27	(27)	673	728	-	-	-	202	1,603
Profit before tax	60,469	59,231	64,594	64,115	59,008	3,806	68,394	(1,205)	378,412
Capital expenditure	2,346	1,367	2,403	2,357	1,790	1,018	4,951	3,606	19,838
Depreciation and amortisation	3,570	3,059	4,262	4,631	3,843	1,675	3,823	2,432	27,295
	31 December 2021								
Segment assets	5,444,119	4,291,522	6,954,239	4,801,733	4,272,993	1,530,966	10,690,368	1,405,894	39,391,834
Long-term equity investments	1,546	374	6,314	7,141	-	-	800	2,700	18,875
	5,445,665	4,291,896	6,960,553	4,808,874	4,272,993	1,530,966	10,691,168	1,408,594	39,410,709
Deferred tax assets									92,343
Elimination									(9,249,073)
Total assets									30,253,979
Segment liabilities	5,368,006	4,213,453	6,813,042	4,717,418	4,207,630	1,525,839	8,765,778	1,276,369	36,887,535
Deferred tax liabilities									1,395
Elimination									(9,249,073)
Total liabilities									27,639,857
Off-balance sheet credit commitments	611,802	582,097	643,588	656,275	448,345	152,793	-	274,994	3,369,894

(12) Operating segments (continued)

① Geographical segments (continued)

	Year ended 31 December 2020								Total
	Yangtze River Delta	Pearl River Delta	Bohai Rim	Central	Western	Northeastern	Head Office	Overseas	
External net interest income	64,500	60,987	36,662	76,140	62,290	7,353	257,261	10,716	575,909
Internal net interest income/(expense)	27,451	23,726	46,961	28,551	29,472	18,001	(177,338)	3,176	-
Net interest income	91,951	84,713	83,623	104,691	91,762	25,354	79,923	13,892	575,909
Net fee and commission income	16,620	24,764	18,337	15,896	11,799	4,050	20,056	3,060	114,582
Net trading gain/(loss)	96	204	174	324	104	16	4,126	(731)	4,313
Dividend income	88	7	1,927	650	10	-	89	411	3,182
Net gain/(loss) arising from investment securities	4,273	(778)	(787)	(586)	(40)	(617)	3,200	1,100	5,765
Net (loss)/gain on derecognition of financial assets measured at amortised cost	(13)	10	29	-	-	-	4,612	11	4,649
Other operating (expense)/income, net	(3,576)	377	1,569	64	1,585	7	3,503	2,295	5,824
Operating income	109,439	109,297	104,872	121,039	105,220	28,810	115,509	20,038	714,224
Operating expenses	(28,835)	(24,624)	(29,637)	(34,160)	(30,153)	(11,692)	(15,452)	(14,021)	(188,574)
Credit impairment losses	(22,994)	(31,459)	(25,623)	(45,476)	(19,352)	(12,688)	(29,696)	(6,203)	(193,491)
Other impairment losses	6	(54)	(205)	-	(6)	(65)	4,343	(457)	3,562
Share of (losses)/profits of associates and joint ventures	(3)	-	260	579	-	-	-	59	895
Profit before tax	57,613	53,160	49,667	41,982	55,709	4,365	74,704	(584)	336,616
Capital expenditure	3,280	1,401	2,638	2,559	1,899	1,031	5,321	7,363	25,492
Depreciation and amortisation	3,662	3,230	4,453	4,921	4,025	1,806	2,215	1,870	26,182
	31 December 2020								
Segment assets	4,873,490	3,942,366	6,667,011	4,416,305	3,985,433	1,451,185	10,577,145	1,433,729	37,346,664
Long-term equity investments	604	-	4,850	7,196	-	-	-	1,052	13,702
	4,874,094	3,942,366	6,671,861	4,423,501	3,985,433	1,451,185	10,577,145	1,434,781	37,360,366
Deferred tax assets									92,950
Elimination									(9,321,062)
Total assets									28,132,254
Segment liabilities	4,836,646	3,915,742	6,596,879	4,397,877	3,963,977	1,453,094	8,585,097	1,313,100	35,062,412
Deferred tax liabilities									1,551
Elimination									(9,321,062)
Total liabilities									25,742,901
Off-balance sheet credit commitments	608,353	588,398	693,095	648,284	446,579	162,120	-	266,701	3,413,530

(12) Operating segments (continued)**② Business segments**

Business segments, as defined for management reporting purposes, are as follows:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations, government agencies and financial institutions. The products and services include corporate loans, trade financing, deposit taking and wealth management services, agency services, financial consulting and advisory services, cash management services, remittance and settlement services, custody services and guarantee services, etc.

Personal banking

This segment represents the provision of a range of financial products and services to individual customers. The products and services comprise personal loans, deposit taking and wealth management services, card business, remittance services and agency services, etc.

Treasury business

This segment covers the Group's treasury operations. The treasury business segment enters into inter-bank money market transactions, repurchase and resale transactions, and invests in debt securities. It also trades in derivatives and foreign currencies for its own account. The treasury business segment carries out customer-driven derivatives, foreign currency and precious metal trading. Its function also includes the management of the Group's overall liquidity position, including the issuance of debt securities.

Others

These represent equity investments and the revenues, results, assets and liabilities of overseas branches and subsidiaries.

(12) Operating segments (continued)

② Business segments (continued)

	Year ended 31 December 2021				Total
	Corporate banking	Personal banking	Treasury business	Others	
External net interest income	209,477	165,850	205,328	24,765	605,420
Internal net interest income/(expense)	67,387	122,044	(189,052)	(379)	-
Net interest income	276,864	287,894	16,276	24,386	605,420
Net fee and commission income	36,068	60,906	16,257	8,261	121,492
Net trading (loss)/gain	(1,568)	(52)	7,684	1,752	7,816
Dividend income	-	-	36	5,885	5,921
Net (loss)/gain arising from investment securities	(7,962)	(2,769)	18,205	3,024	10,498
Net gain/(loss) on derecognition of financial assets measured at amortised cost	995	3,538	105	(4)	4,634
Other operating income, net	51	610	4,810	3,454	8,925
Operating income	304,448	350,127	63,373	46,758	764,706
Operating expenses	(85,646)	(102,205)	(12,534)	(18,797)	(219,182)
Credit impairment losses	(112,464)	(33,213)	(13,038)	(9,234)	(167,949)
Other impairment losses	(14)	-	(465)	(287)	(766)
Share of profits of associates and joint ventures	-	-	-	1,603	1,603
Profit before tax	106,324	214,709	37,336	20,043	378,412
Capital expenditure	6,007	8,251	742	4,838	19,838
Depreciation and amortisation	9,638	13,236	1,191	3,230	27,295
			31 December 2021		
Segment assets	10,242,492	7,989,445	10,646,401	1,479,905	30,358,243
Long-term equity investments	-	-	-	18,875	18,875
	<u>10,242,492</u>	<u>7,989,445</u>	<u>10,646,401</u>	<u>1,498,780</u>	<u>30,377,118</u>
Deferred tax assets					92,343
Elimination					(215,482)
Total assets					30,253,979
Segment liabilities	<u>12,097,392</u>	<u>11,827,180</u>	<u>1,839,462</u>	<u>2,089,910</u>	<u>27,853,944</u>
Deferred tax liabilities					1,395
Elimination					(215,482)
Total liabilities					27,639,857
Off-balance sheet credit commitments	<u>1,978,176</u>	<u>1,116,724</u>	<u>-</u>	<u>274,994</u>	<u>3,369,894</u>

3 Unaudited supplementary financial information

3.1 Liquidity coverage ratio and net stable funding ratio

The liquidity coverage ratio equals to the qualified and high-quality liquid assets divided by net cash outflows in the future 30 days. Net stable funding ratio equals to the available stable funding divided by required stable funding. According to the regulatory requirements, definitions and accounting standards applicable in the current period, the average daily liquidity coverage ratio of the Group in the fourth quarter of 2021 was 134.70% and the net stable funding ratio was 125.75% as at the end of December 2021.

The following tables set the Group's liquidity coverage ratio for the fourth quarter of 2021.

S/N	(In millions of RMB, except percentages)	Total Unweighted Value	Total Weighted Value
High-Quality Liquid Assets			
1	Total High-Quality Liquid Assets (HQLA)		4,756,263
Cash Outflows			
2	Retail deposits and deposits from small business customers, of which:		
3	Stable deposits	10,888,627	967,207
4	Less stable deposits	2,431,263	121,471
5	Unsecured wholesale funding, of which:	8,457,364	845,736
6	Operational deposits (excluding those generated from correspondent banking activates)	10,627,580	3,494,848
7	Non-operational deposits (all counterparties)	7,023,939	1,744,436
8	Unsecured debt	3,490,861	1,637,632
9	Secured funding	112,780	112,780
10	Additional requirements, of which:		1,259
11	Outflows related to derivative exposures and other collateral requirements	1,860,558	201,265
12	Outflows related to loss of funding on secured debt products	28,519	28,519
13	Credit and liquidity facilities	2,307	2,307
14	Other contractual funding obligations	1,829,732	170,439
15	Other contingent funding obligations	50	-
16	Total Cash Outflows	3,388,326	497,786
Cash Inflows			
17	Secured lending (including reverse repos and securities borrowing)		5,162,365
18	Inflow from fully performing exposures	621,958	620,810
19	Other cash inflows	1,648,799	971,898
20	Total Cash Inflows	36,381	33,143
		2,307,138	1,625,851
21	Total HQLA		Total Adjusted Value 4,756,263
22	Total Net Cash Outflows		3,536,514
23	Liquidity Coverage Ratio (%)¹		134.70

1. The above quarterly daily means represent simple arithmetic means of the values for 92 calendar days in the latest quarter, calculated in accordance with the current applicable regulatory requirements, definitions and accounting standards.

3.1 Liquidity coverage ratio and net stable funding ratio (continued)

The following tables set the quantitative information on the net stable funding ratio at the end of the last two quarters.

No.	(In RMB millions, except percentages)	The Fourth Quarter of 2021					The Third Quarter of 2021				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item											
1	Capital:	-	-	-	2,943,635	2,943,635	-	-	-	2,812,346	2,812,346
2	Regulatory capital	-	-	-	2,943,635	2,943,635	-	-	-	2,812,346	2,812,346
3	Other capital instruments	-	-	-	-	-	-	-	-	-	-
4	Retail deposits and deposits from small business customers:										
5	Stable deposits	6,061,284	5,726,951	230,623	626,458	11,576,674	6,002,090	5,736,888	288,711	625,954	11,581,189
6	Less stable deposits	2,620,150	38,166	6,570	6,841	2,538,482	2,587,109	12,554	6,663	6,150	2,482,159
7	Wholesale funding:	3,441,134	5,688,785	224,053	619,617	9,038,192	3,414,981	5,724,334	282,048	619,804	9,099,030
8	Operational deposits	6,872,641	4,995,451	1,352,957	580,827	6,566,705	6,962,235	5,278,772	1,024,311	542,982	6,500,483
9	Other wholesale funding	6,448,073	473,845	29,194	1,102	3,476,658	6,399,555	560,731	7,125	973	3,484,679
10	Liabilities with matching interdependent assets	424,568	4,521,606	1,323,763	579,725	3,090,047	562,680	4,718,041	1,017,186	542,009	3,015,804
11	Other liabilities:	-	-	-	-	-	-	-	-	-	-
12	NSFR derivative liabilities	-	553,752	94,748	216,273	228,268	-	531,820	82,657	246,785	262,332
					35,378					25,782	

3.1 Liquidity coverage ratio and net stable funding ratio (continued)

No.	(In RMB millions, except percentages)	The Fourth Quarter of 2021					The Third Quarter of 2021				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
ASF Item (continued)											
13	All other liabilities and equity not included in the above categories	-	553,752	94,748	180,895	228,268	-	531,820	82,657	221,003	262,332
14	Total ASF					21,315,282					21,156,350
RSF Item											
15	Total NSFR high-quality liquid assets (HQLA)					1,673,032					1,647,881
16	Deposits held at other financial institutions for operational purposes	41,117	22,648	1,593	8,782	41,719	37,202	20,777	4,652	18,540	50,105
17	Performing loans and securities:	979,147	3,661,118	2,133,421	13,134,963	14,208,841	946,196	4,059,775	2,113,912	12,919,982	14,082,517
18	Performing loans to financial institutions secured by Level 1 HQLA	-	501,660	-	-	75,249	-	547,436	-	-	82,115
19	Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	509,391	219,224	41,307	232,207	-	827,319	124,665	122,158	311,271

3.1 Liquidity coverage ratio and net stable funding ratio (continued)

No.	(In RMB millions, except percentages)	The Fourth Quarter of 2021					The Third Quarter of 2021				
		Unweighted value by residual maturity				Weighted value	Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
RSF Item (continued)											
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	917,604	2,423,533	1,710,757	6,788,448	8,295,772	885,159	2,433,316	1,786,166	6,645,907	8,201,552
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	2,908	6,155	3,257	6,648	-	13,279	-	-	6,639
22	Performing residential mortgages, of which:	-	173,210	177,173	6,073,983	5,338,172	-	173,417	177,331	5,920,548	5,208,149
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk	-	-	-	-	-	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	61,543	53,324	26,267	231,225	267,441	61,037	78,287	25,750	231,369	279,430
25	Assets with matching interdependent liabilities	-	-	-	-	-	-	-	-	-	-
26	Other assets:	121,506	216,278	121,848	419,719	894,079	119,717	260,879	133,694	300,058	831,060
27	Physical traded commodities, including gold	121,506	-	-	-	103,280	119,717	-	-	-	101,760

3.1 Liquidity coverage ratio and net stable funding ratio (continued)

No.	(In RMB millions, except percentages)	The Fourth Quarter of 2021				Weighted value	The Third Quarter of 2021				Weighted value
		Unweighted value by residual maturity					Unweighted value by residual maturity				
		No maturity	< 6 months	6 months to < 1yr	≥ 1yr		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	
	RSF Item (continued)										
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs			909	773			1,392		1,184	
29	NSFR derivative assets			34,931	-			30,193		4,411	
30	NSFR derivative liabilities before deduction of variation margin posted ¹			7,089	7,089			5,181		5,181	
31	All other assets not included in the above categories	-	216,278	121,848	383,879	721,394	-	260,879	133,694	268,473	657,489
32	Off-balance sheet items			4,615,327	132,349			4,723,062		146,015	
33	Total RSF				16,950,020					16,757,578	
34	Net Stable Funding Ratio (%)				125.75					126.25	

1. The amount filled out in this account refers to derivative liabilities, i.e., the amount of NSFR derivative liabilities before deduction of variable reserves. This amount makes no distinction between durations, nor does it count towards the total in “26 Other Assets”.

According to the regulatory requirements, definitions and accounting standards applicable in the fourth quarter of 2021, the Group’s net stable funding ratio was 125.75%, from which the available stable funding was RMB21,315,282 million against the required stable funding of RMB16,950,020 million.

3.2 Leverage ratio

From the first quarter of 2015, the Group measures the leverage ratio in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on- and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As at 31 December 2021, the Group's leverage ratio was 8.13%, meeting the regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021	As at 31 March 2021
Leverage ratio	8.13%	7.96%	7.79%	7.92%
Tier 1 capital after regulatory adjustments	2,575,528	2,509,963	2,434,940	2,442,723
On and off-balance sheet assets after adjustments	31,670,893	31,514,718	31,263,173	30,826,197

- The leverage ratios have been calculated in accordance with relevant regulatory requirements. The balance of Tier 1 capital after regulatory adjustments has been calculated with the same data used by the Group to calculate total capital ratio.
- On and off-balance sheet assets after adjustments = On-balance sheet assets after adjustments + Off-balance sheet assets after adjustments – Regulatory adjustments to Tier 1 capital.

The following table sets forth the detailed items that constitute the on and off-balance sheet assets after adjustments used in the calculation of the Group's leverage ratio, and the reconciliation with the accounting items.

(In millions of RMB)	As at 31 December 2021	As at 31 December 2020
Total on-balance sheet assets ¹	30,253,979	28,132,254
Consolidated adjustment ²	(261,374)	(220,217)
Derivatives adjustment	68,503	66,243
Securities financing transactions adjustment	1,013	680
Off-balance sheet items adjustment ³	1,622,887	1,583,599
Other adjustments ⁴	(14,115)	(14,005)
On and off-balance sheet assets after adjustments	31,670,893	29,548,554

- Total on-balance sheet assets refer to the one calculated in accordance with financial and accounting standards.
- Consolidated adjustment refers to the difference between regulatory consolidated total assets and accounting consolidated total assets.
- Off-balance sheet items adjustment refers to the balance of off-balance sheet items after being multiplied by credit conversion factors in accordance with the *Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*.
- Other adjustments mainly comprise regulatory adjustments to Tier 1 capital.

3.2 Leverage ratio (continued)

The following table sets forth the information related to the Group's leverage ratio, Tier 1 capital after regulatory adjustments, and on and off-balance sheet assets after adjustments and their relevant detailed items.

(In millions of RMB, except percentages)	As at 31 December 2021	As at 31 December 2020
On-balance sheet assets (excluding derivatives and securities financing transactions) ¹	29,415,746	27,241,556
Less: Regulatory adjustments to Tier 1 capital	(14,115)	(14,005)
On-balance sheet assets after adjustments (excluding derivatives and securities financing transactions)	29,401,631	27,227,551
Replacement costs of various derivatives (excluding eligible margin)	44,718	84,361
Potential risk exposures of various derivatives	55,085	50,403
Nominal principals arising from sales of credit derivatives	250	-
Derivative assets	100,053	134,764
Accounting assets arising from securities financing transactions	545,309	601,960
Counterparty credit risk exposure arising from securities financing transactions	1,013	680
Securities financing transactions assets	546,322	602,640
Off-balance sheet assets	4,842,963	4,507,842
Less: Decrease in off-balance sheet assets due to credit conversion	(3,220,076)	(2,924,243)
Off-balance sheet assets after adjustments	1,622,887	1,583,599
Tier 1 capital after regulatory adjustments	2,575,528	2,361,517
On and off-balance sheet assets after adjustments	31,670,893	29,548,554
Leverage Ratio²	8.13%	7.99%

1. These refer to on-balance sheet assets excluding derivatives and securities financing transactions on a regulatory consolidated basis.
2. Leverage ratio is calculated through dividing Tier 1 capital after regulatory adjustments by on and off-balance sheet assets after adjustments.

3.3 Currency concentrations

	31 December 2021			Total
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	
Spot assets	916,669	312,454	335,806	1,564,929
Spot liabilities	(929,333)	(333,522)	(270,104)	(1,532,959)
Forward purchases	1,528,518	88,234	150,570	1,767,322
Forward sales	(1,523,921)	(33,060)	(194,623)	(1,751,604)
Net option position	6,471	-	156	6,627
Net (short)/long position	<u>(1,596)</u>	<u>34,106</u>	<u>21,805</u>	<u>54,315</u>
Net structural position	<u>26,394</u>	<u>2,623</u>	<u>(657)</u>	<u>28,360</u>
	31 December 2020			
	USD (RMB equivalent)	HKD (RMB equivalent)	Others (RMB equivalent)	Total
Spot assets	945,417	352,098	376,645	1,674,160
Spot liabilities	(1,000,213)	(330,942)	(290,448)	(1,621,603)
Forward purchases	1,826,299	75,051	137,233	2,038,583
Forward sales	(1,758,605)	(60,684)	(203,639)	(2,022,928)
Net option position	(16,261)	(29)	(4)	(16,294)
Net (short)/long position	<u>(3,362)</u>	<u>35,494</u>	<u>19,787</u>	<u>51,919</u>
Net structural position	<u>34,141</u>	<u>2,313</u>	<u>(6,959)</u>	<u>29,495</u>

The net option position is calculated using the delta equivalent approach required by the Hong Kong Monetary Authority (the “HKMA”). The net structural position of the Group includes the structural positions of the Bank’s overseas branches, banking subsidiaries and other subsidiaries substantially involved in the foreign exchange. Structural assets and liabilities include:

- investments in property and equipment, net of accumulated depreciation;
- capital and statutory reserves of overseas branches; and
- investments in overseas subsidiaries and related companies.

3.4 International claims

The Group is principally engaged in business operations within Mainland China. The international claims of the Group are the sum of cross-border claims in all currencies and local claims in foreign currencies.

International claims include loans and advances to customers, deposits with central banks, deposits and placements with banks and non-bank financial institutions, holdings of trade bills and certificates of deposit and investment securities.

International claims have been disclosed by country or geographical area. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the Group reduces its exposure to a particular country/region by an effective transfer of credit risk to a different country/region with the use of credit risk mitigation which include guarantees, collateral and credit derivatives.

	31 December 2021				Total
	Banks	Public sector entities	Non-bank private institutions	Others	
Asia Pacific	198,614	118,436	683,587	5,650	1,006,287
- of which attributed to Hong Kong	7,783	41,244	307,721	1,454	358,202
Europe	13,369	42,319	49,417	2,094	107,199
North and South America	23,731	97,049	105,915	5,516	232,211
Total	235,714	257,804	838,919	13,260	1,345,697
	31 December 2020				
	Banks	Public sector entities	Non-bank private institutions	Others	Total
Asia Pacific	223,982	127,130	611,168	23,060	985,340
- of which attributed to Hong Kong	8,974	58,527	324,489	-	391,990
Europe	12,496	33,635	70,933	1,209	118,273
North and South America	35,015	171,380	117,751	-	324,146
Total	271,493	332,145	799,852	24,269	1,427,759

3.5 Overdue loans and advances to customers by geographical sector

	31 December 2021	31 December 2020
Central	34,417	36,547
Pearl River Delta	22,392	23,954
Western	18,294	16,262
Bohai Rim	17,465	17,147
Yangtze River Delta	13,738	13,995
North eastern	10,440	8,034
Head office	6,904	9,008
Overseas	3,965	2,977
Total	127,615	127,924

According to regulation requirements, the above analysis represents the gross amount of loans and advances to customers overdue for more than three months.

Loans and advances to customers with a specific repayment date are classified as overdue when the principal or interest is overdue.

Loans and advances to customers repayable on demand are classified as overdue when a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instructions. If the loans and advances to customers repayable on demand are outside the approved limit that was advised to the borrower, they are also considered to be overdue.

3.6 Exposures to non-banks in Mainland China

The Bank is a commercial bank incorporated in Mainland China with its banking business primarily conducted in Mainland China. As at 31 December 2021, substantial amounts of the Bank's exposures arose from businesses with Mainland China entities or individuals. Analyses of various types of exposures by counterparty have been disclosed in the respective notes to the financial statements.

4 MANAGEMENT DISCUSSION & ANALYSIS

4.1 FINANCIAL REVIEW

In 2021, COVID-19 staged a comeback, disrupting the global economic recovery. Major developed economies accelerated their monetary policy shifts, released signals of tightened monetary policies to varying degrees, while certain emerging economies repeatedly raised interest rates in response to pressures such as inflation, capital outflows, and currency depreciation. China continued to see steady recovery of its economy, made new achievements in high-quality development and witnessed a good start on its 14th Five-Year Plan, with constant improvement in investment and consumption, rapid growth in imports and exports, basically balanced international payments, overall stable employment, moderate increase in consumer prices, and lower growth of production prices from high levels. China's GDP and consumer price index increased by 8.1% and 0.9% year on year respectively.

China's financial markets were overall stable in 2021. Transactions in money market were active, with stable market interest rates. Bond issuance increased, with a lower interest rate in general. The stock market index rose, with transaction volume and proceeds increasing year on year. Domestic regulators attached more importance to the improvement in the quality and efficiency of financial services for the real economy, continued to deepen financial reforms, increased financial support in key areas, improved corporate governance of banking institutions, consolidated the foundation for FinTech development, advanced the transformation of wealth management business, and innovated systems and mechanisms to drive the high-quality development of the financial industry. The banking industry resumed a good development momentum, with stable pickup of operating income, refined credit structure, steady growth of assets, higher asset quality, and overall adequate capitals, so as to play a better role in supporting the real economy. Affected by efforts in surrendering profits to support the real economy, the reduction of LPR, and the high cost of liabilities, interest spread of the banking sector narrowed, and income from interest margin declined, bringing pressure on profitability. The wealth management business continued to grow, and the proportion of non-interest income rose, improving the stability of profitability. The situation of risk prevention and control improved, but the real estate and certain industries were still under pressure.

In 2021, the Group enhanced the quality and efficiency in serving the real economy and made new progress in its high-quality development. The Group's total assets and liabilities steadily increased. Total assets reached RMB30.25 trillion, an increase of 7.54%, of which net loans and advances to customers were RMB18.17 trillion, an increase of 11.95%. Total liabilities amounted to RMB27.64 trillion, an increase of 7.37%, of which deposits from customers totalled RMB22.38 trillion, an increase of 8.56%. Net interest income increased by 5.12%, and net fee and commission income rose by 6.03%. Operating income rose by 7.07% over 2020 to RMB764,706 million. The Group's NPL ratio was 1.42%, down 0.14 percentage points from 2020. The Group's net profit was RMB303,928 million, up 11.09% over 2020. Return on average assets was 1.04%, return on average equity was 12.55%, and total capital ratio was 17.85%.

4.1.1 STATEMENT OF COMPREHENSIVE INCOME ANALYSIS

In 2021, the Group continued to improve the quality and efficiency of operation and development. The profitability of the Group achieved steady growth with profit before tax of RMB378,412 million, an increase of 12.42% over 2020. Net profit was RMB303,928 million, an increase of 11.09% over 2020. Key factors affecting the Group's profitability are as follows. Firstly, net interest income increased by RMB29,511 million, or 5.12% over 2020, mainly due to increase in interest-earning assets. Secondly, net fee and commission income increased by RMB6,910 million, or 6.03% over 2020. Thirdly, operating expenses increased by 16.23% over 2020, mainly due to the lower base last year in the wake of COVID-19. Cost-to-income ratio was 27.64%, 2.26 percentage points higher than that in 2020, staying at a sound level. Fourthly, provision for losses was made based on substantive risk judgement, with total impairment losses of RMB168,715 million, a decrease of 11.17% over 2020.

The following table sets forth the composition of the Group's statement of comprehensive income and the changes during the respective periods.

(In millions of RMB, except percentages)	2021	2020	Change (%)	2019
Net interest income	605,420	575,909	5.12	537,066
Net non-interest income	159,286	138,315	15.16	140,935
- Net fee and commission income	121,492	114,582	6.03	110,898
Operating income	764,706	714,224	7.07	678,001
Operating expenses	(219,182)	(188,574)	16.23	(188,132)
Credit impairment losses	(167,949)	(193,491)	(13.20)	(163,000)
Other impairment losses	(766)	3,562	N/A	(521)
Share of profits of associates and joint ventures	1,603	895	79.11	249
Profit before tax	378,412	336,616	12.42	326,597
Income tax expense	(74,484)	(63,037)	18.16	(57,375)
Net profit	303,928	273,579	11.09	269,222

Net interest income

In 2021, the Group's net interest income amounted to RMB605,420 million, an increase of RMB29,511 million, or 5.12% over 2020. The net interest income accounted for 79.17% of the operating income.

The following table sets forth the Group's average balances of assets and liabilities, related interest income or expense, and average yields or costs during the respective periods.

(In millions of RMB, except percentages)	2021			2020		
	Average balance	Interest income/expense	Average yield/cost (%)	Average balance	Interest income/expense	Average yield/cost (%)
Assets						
Gross loans and advances to customers	18,028,304	767,061	4.25	16,191,067	710,531	4.39
Financial investments	6,609,659	225,706	3.41	5,946,763	209,803	3.53
Deposits with central banks	2,530,647	36,775	1.45	2,454,146	35,537	1.45
Deposits and placements with banks and non-bank financial institutions	726,819	14,898	2.05	1,075,685	21,672	2.01
Financial assets held under resale agreements	587,768	12,894	2.19	604,669	11,966	1.98
Total interest-earning assets	28,483,197	1,057,334	3.71	26,272,330	989,509	3.77
Total allowances for impairment losses	(626,618)			(542,594)		
Non-interest-earning assets	1,757,377			1,817,863		
Total assets	29,613,956	1,057,334		27,547,599	989,509	
Liabilities						
Deposits from customers	21,397,697	358,241	1.67	19,718,339	313,852	1.59
Deposits and placements from banks and non-bank financial institutions	2,313,948	40,989	1.77	2,478,450	48,577	1.96
Debt securities issued	1,043,395	31,483	3.02	982,516	30,827	3.14
Borrowings from central banks	708,601	20,384	2.88	638,280	19,406	3.04
Financial assets sold under repurchase agreements	40,121	817	2.04	49,312	938	1.90
Total interest-bearing liabilities	25,503,762	451,914	1.77	23,866,897	413,600	1.73
Non-interest-bearing liabilities	1,653,036			1,326,591		
Total liabilities	27,156,798	451,914		25,193,488	413,600	
Net interest income		605,420			575,909	
Net interest spread			1.94			2.04
Net interest margin			2.13			2.19

In 2021, the Group continued to increase its support for the real economy and dynamically adjusted its business strategy and asset and liability structure. Loan yield declined due to factors such as the conversion of pricing basis to loan prime rate upon loan repricing and increased efforts in surrendering profits to support the real economy. The yield of debt securities was lower than that of last year due to market interest rates decline, and cost of deposits was higher than that of last year due to more intense market competition. As a result, net interest spread fell to 1.94%, down ten basis points from 2020; net interest margin was 2.13%, down six basis points from 2020.

The following table sets forth the effects of the movement of average balances and average interest rates of the Group's assets and liabilities on the change in interest income and expense for 2021 versus 2020.

(In millions of RMB)	Volume factor ¹	Interest rate factor ¹	Change in interest income/expense
Assets			
Gross loans and advances to customers	79,517	(22,987)	56,530
Financial investments	23,124	(7,221)	15,903
Deposits with central banks	1,238	-	1,238
Deposits and placements with banks and non-bank financial institutions	(7,193)	419	(6,774)
Financial assets held under resale agreements	(336)	1,264	928
Change in interest income	96,350	(28,525)	67,825
Liabilities			
Deposits from customers	27,904	16,485	44,389
Deposits and placements from banks and non-bank financial institutions	(3,084)	(4,504)	(7,588)
Debt securities issued	1,864	(1,208)	656
Borrowings from central banks	2,044	(1,066)	978
Financial assets sold under repurchase agreements	(186)	65	(121)
Change in interest expense	28,542	9,772	38,314
Change in net interest income	67,808	(38,297)	29,511

1. Changes caused by both average balances and average interest rates were allocated to the volume factor and interest rate factor respectively based on the respective proportions of absolute values of volume factor and interest rate factor.

Net interest income increased by RMB29,511 million over 2020. In this amount, an increase of RMB67,808 million was due to the movements of average balances of assets and liabilities, and a decrease of RMB38,297 million was due to the movements of average yields and costs.

Interest income

In 2021, the Group realised interest income of RMB1.06 trillion, an increase of RMB67,825 million or 6.85% over 2020. In this amount, interest income from loans and advances to customers, financial investments, deposits with central banks, deposits and placements with banks and non-bank financial institutions, and financial assets held under resale agreements accounted for 72.54%, 21.35%, 3.48%, 1.41% and 1.22%, respectively.

The following table sets forth the average balance, interest income and average yield of each component of the Group's loans and advances to customers during the respective periods.

(In millions of RMB, except percentages)	2021			2020		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans and advances	9,162,756	365,293	3.99	7,859,715	324,205	4.12
Short-term loans	2,743,696	97,861	3.57	2,564,049	103,083	4.02
Medium to long-term loans	6,419,060	267,432	4.17	5,295,666	221,122	4.18
Personal loans and advances	7,547,245	362,742	4.81	6,840,063	336,587	4.92
Short-term loans	1,253,168	56,424	4.50	1,066,718	58,979	5.53
Medium to long-term loans	6,294,077	306,318	4.87	5,773,345	277,608	4.81
Discounted bills	250,861	6,424	2.56	390,714	9,930	2.54
Overseas operations and subsidiaries	1,067,442	32,602	3.05	1,100,575	39,809	3.62
Gross loans and advances to customers	18,028,304	767,061	4.25	16,191,067	710,531	4.39

Interest income from loans and advances to customers amounted to RMB767,061 million, an increase of RMB56,530 million or 7.96% over 2020, mainly driven by the 11.35% increase in the average balance of loans and advances to customers over 2020.

Interest income from financial investments amounted to RMB225,706 million, an increase of RMB15,903 million or 7.58% over 2020, mainly due to the 11.15% increase in the average balance of financial investments over 2020.

Interest income from deposits with central banks amounted to RMB36,775 million, an increase of RMB1,238 million or 3.48% over 2020, mainly due to the 3.12% increase in the average balance of deposits with central banks over 2020.

Interest income from deposits and placements with banks and non-bank financial institutions amounted to RMB14,898 million, a decrease of RMB6,774 million or 31.26% over 2020, mainly due to the 32.43% decrease in the average balance of deposits and placements with banks and non-bank financial institutions over 2020.

Interest income from financial assets held under resale agreements amounted to RMB12,894 million, an increase of RMB928 million or 7.76% over 2020, mainly due to the 21 basis points increase in the average yield on financial assets held under resale agreements over 2020.

Interest expense

In 2021, the Group's interest expense reached RMB451,914 million, an increase of RMB38,314 million or 9.26% over 2020. In this amount, interest expense on deposits from customers accounted for 79.27%, that on deposits and placements from banks and non-bank financial institutions accounted for 9.07%, that on debt securities issued accounted for 6.97%, that on borrowings from central banks accounted for 4.51%, and that on financial assets sold under repurchase agreements accounted for 0.18% of the total.

The following table sets forth the average balance, interest expense and average cost of each component of the Group's deposits from customers during the respective periods.

(In millions of RMB, except percentages)	2021			2020		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits	10,153,188	153,660	1.51	9,645,218	139,189	1.44
Demand deposits	6,356,409	55,117	0.87	6,076,943	50,260	0.83
Time deposits	3,796,779	98,543	2.60	3,568,275	88,929	2.49
Personal deposits	10,816,186	201,090	1.86	9,571,844	167,353	1.75
Demand deposits	4,643,984	14,505	0.31	4,406,735	13,792	0.31
Time deposits	6,172,202	186,585	3.02	5,165,109	153,561	2.97
Overseas operations and subsidiaries	428,323	3,491	0.82	501,277	7,310	1.46
Total deposits from customers	21,397,697	358,241	1.67	19,718,339	313,852	1.59

Interest expense on deposits from customers was RMB358,241 million, an increase of RMB44,389 million or 14.14% over 2020, mainly because the average balance of deposits from customers increased by 8.52% and the average cost rose by eight basis points over 2020.

Interest expense on deposits and placements from banks and non-bank financial institutions decreased by RMB7,588 million or 15.62% over 2020 to RMB40,989 million, mainly because the average balance of deposits and placements from banks and non-bank financial institutions decreased by 6.64%, and the average cost fell by 19 basis points over 2020.

Interest expense on debt securities issued increased by RMB656 million or 2.13% over 2020 to RMB31,483 million, mainly because the average balance of debt securities issued increased by 6.20% over 2020.

Interest expense on borrowings from central banks increased by RMB978 million or 5.04% to RMB20,384 million over 2020, mainly because the average balance of borrowings from central banks increased by 11.02% over 2020.

Interest expense on financial assets sold under repurchase agreements decreased by RMB121 million or 12.90% over 2020 to RMB817 million, mainly because the average balance of financial assets sold under repurchase agreements decreased by 18.64% over 2020.

Net non-interest income

The following table sets forth the composition and change of the Group's net non-interest income during the respective periods.

(In millions of RMB, except percentages)	2021	2020	Change (%)
Fee and commission income	138,637	131,512	5.42
Fee and commission expense	(17,145)	(16,930)	1.27
Net fee and commission income	121,492	114,582	6.03
Other net non-interest income	37,794	23,733	59.25
Total other net non-interest income	159,286	138,315	15.16

In 2021, the Group's net non-interest income reached RMB159,286 million, an increase of RMB20,971 million or 15.16% over 2020. Net non-interest income accounted for 20.83% of operating income, an increase of 1.46 percentage points over 2020, mainly driven by the growth of other net non-interest income.

Net fee and commission income

The following table sets forth the composition and change of the Group's net fee and commission income during the respective periods.

(In millions of RMB, except percentages)	2021	2020	Change (%)	2019
Fee and commission income	138,637	131,512	5.42	126,667
Electronic banking service fees	28,942	29,007	(0.22)	25,666
Bank card fees	21,148	21,374	(1.06)	24,025
Agency service fees	19,283	17,366	11.04	16,894
Wealth management service fees	18,550	15,574	19.11	12,899
Commission on trust and fiduciary activities	17,284	15,593	10.84	14,194
Settlement and clearing fees	13,220	12,542	5.41	12,267
Consultancy and advisory fees	11,658	11,577	0.70	10,331
Guarantee fees	3,981	3,917	1.63	3,633
Credit commitment fees	1,358	1,309	3.74	1,449
Others	3,213	3,253	(1.23)	5,309
Fee and commission expense	(17,145)	(16,930)	1.27	(15,769)
Net fee and commission income	121,492	114,582	6.03	110,898

In 2021, the Group seized market opportunities, focused on customer needs, continued to optimise products and increase innovation, and improved financial service capabilities. As a result, net fee and commission income was RMB121,492 million, an increase of 6.03% over 2020. The ratio of net fee and commission income to operating income was 15.89%, down 0.15 percentage points over 2020.

Electronic banking service fees, bank card fees, agency service fees, wealth management service fees, commissions on trust and fiduciary activities accounted for 75.89% of the fee and commission income. Specifically, electronic banking service fees were RMB28,942 million, a

slight decrease mainly due to the decline of SMS service fees; bank card fees were RMB21,148 million, a slight decrease of 1.06% mainly due to the slowdown in the growth of offline consumer transactions; agency service fees reached RMB19,283 million, an increase of 11.04%, mainly due to the rapid growth of sales of agency business for insurance and funds; wealth management service fees increased by 19.11% to RMB18,550 million, mainly due to the solid growth of wealth management products (WMPs) as the Group continued to drive forward the construction of its new asset management system and accelerated the transformation and innovation of the asset management business model; commission on trust and fiduciary activities rose by 10.84% to RMB17,284 million, mainly due to the rapid growth of assets under custody as the Group strengthened business expansion in key areas.

Other net non-interest income

The following table sets forth the composition and change of the Group's other net non-interest income during the respective periods.

(In millions of RMB, except percentages)	2021	2020	Change (%)	2019
Net gain arising from investment securities	10,498	5,765	82.10	9,093
Net trading gain	7,816	4,313	81.22	9,120
Dividend income	5,921	3,182	86.08	1,184
Net gain on derecognition of financial assets measured at amortised cost	4,634	4,649	(0.32)	3,359
Other net operating income	8,925	5,824	53.25	7,281
Other net non-interest income	37,794	23,733	59.25	30,037

Other net non-interest income of the Group was RMB37,794 million, an increase of RMB14,061 million, or 59.25% over 2020. Specifically, net gain arising from investment securities was RMB10,498 million, an increase of RMB4,733 million over 2020, mainly due to the significant increase in gains on revaluation of stocks held by domestic branches taken as repossessed assets previously; net trading gain was RMB7,816 million, an increase of RMB3,503 million over 2020, mainly due to increases in valuation gains and trading gains on trading debt securities from falling yields in bond market; dividend income was RMB5,921 million, an increase of RMB2,739 million over 2020, mainly due to the substantial increase in dividends of equity investments held by certain subsidiaries; other net operating income was RMB8,925 million, an increase of RMB3,101 million over 2020, mainly due to the year-on-year increase in foreign exchange gains.

Operating expenses

The following table sets forth the composition of the Group's operating expenses during the respective periods.

(In millions of RMB, except percentages)	2021	2020	Change (%)	2019
Staff costs	118,238	104,353	13.31	105,784
Premises and equipment expenses	35,542	34,929	1.75	33,675
Taxes and surcharges	7,791	7,325	6.36	6,777
Others	57,611	41,967	37.28	41,896
Total operating expenses	219,182	188,574	16.23	188,132
Cost-to-income ratio (%)	27.64	25.38	2.26	26.75

In 2021, the Group continuously strengthened cost management and optimised expenses structure. Cost-to-income ratio increased by 2.26 percentage points over 2020 to 27.64%, continuing to stay at a sound level. Operating expenses were RMB219,182 million, an increase of RMB30,608 million or 16.23% over 2020. In this amount, staff costs were RMB118,238 million, an increase of RMB13,885 million or 13.31% over 2020, mainly due to the lower bases for five types of insurance expenditures following a temporary social security exemption in 2020; premises and equipment expenses were RMB35,542 million, an increase of RMB613 million or 1.75% over 2020; taxes and surcharges were RMB7,791 million, an increase of RMB466 million or 6.36% over 2020. Meanwhile, the Group proactively supported the implementation of its strategies and digitalised operation, and the investment in FinTech and marketing expenses increased rapidly.

Impairment losses

The following table sets forth the composition of the Group's impairment losses during the respective periods.

(In millions of RMB, except percentages)	2021	2020	Change (%)	2019
Loans and advances to customers	160,324	167,139	(4.08)	148,942
Financial investments	16,298	7,675	112.35	7,286
Financial assets measured at amortised cost	15,830	7,919	99.90	5,789
Financial assets measured at fair value through other comprehensive income	468	(244)	N/A	1,497
Others	(7,907)	15,115	(152.31)	7,293
Total impairment losses	168,715	189,929	(11.17)	163,521

In 2021, the Group's impairment losses were RMB168,715 million, a decrease of RMB21,214 million or 11.17% over 2020. This was mainly because impairment losses on loans and advances to customers decreased by RMB6,815 million and other impairment losses decreased by RMB23,022 million over 2020. Impairment losses on financial investments increased by RMB8,623 million. Specifically, impairment losses on financial assets measured at amortised cost increased by RMB7,911 million or 99.90% over 2020.

Income tax expense

In 2021, the Group's income tax expense was RMB74,484 million, an increase of RMB11,447 million over 2020. The effective income tax rate was 19.68%, lower than the statutory rate of 25%. This was mainly because interest income from the PRC treasury bonds and local government bonds was non-taxable in accordance with the tax law.

4.1.2 STATEMENT OF FINANCIAL POSITION ANALYSIS

Assets

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

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total	Amount	% of total
Loans and advances to customers	18,170,492	60.06	16,231,369	57.70	14,542,001	57.17
Loans and advances to customers measured at amortised cost	18,380,916	60.76	16,476,817	58.57	14,479,931	56.93
Allowances for impairment losses on loans	(637,338)	(2.11)	(556,063)	(1.98)	(482,158)	(1.90)
Book values of loans and advances to customers at fair value through other comprehensive income	379,469	1.25	259,061	0.92	492,693	1.94
Book values of loans and advances to customers at fair value through profit or loss	3,761	0.01	9,890	0.04	15,282	0.06
Accrued interest	43,684	0.15	41,664	0.15	36,253	0.14
Financial investments	7,641,919	25.26	6,950,653	24.71	6,213,241	24.43
Cash and deposits with central banks	2,763,892	9.14	2,816,164	10.01	2,621,010	10.30
Deposits and placements with banks and non-bank financial institutions	343,269	1.13	821,637	2.92	950,807	3.74
Financial assets held under resale agreements	549,078	1.81	602,239	2.14	557,809	2.19
Others¹	785,329	2.60	710,192	2.52	551,393	2.17
Total assets	30,253,979	100.00	28,132,254	100.00	25,436,261	100.00

1. These comprise precious metals, positive fair value of derivatives, long-term equity investments, fixed assets, land use rights, intangible assets, goodwill, deferred tax assets and other assets.

At the end of 2021, the Group's total assets stood at RMB30.25 trillion, an increase of RMB2.12 trillion or 7.54% over 2020. The Group increased credit supply in areas such as inclusive finance, advanced manufacturing, strategic emerging industries and green finance with a higher proportion of core assets, so as to promote the development of the real economy. Loans and advances to customers increased by RMB1.94 trillion or 11.95% over 2020; financial investments increased by RMB691,266 million or 9.95% over 2020. The proportion of net loans and advances to customers to total assets increased by 2.36 percentage points to 60.06%; the proportion of financial investments rose by 0.55 percentage points to 25.26%. The Group reduced the use of short-term funds in compliance with the needs of the source and use of funds. As a result, cash and deposits with central bank decreased by RMB52,272 million or 1.86% over 2020; deposits and placements with banks and non-bank financial institutions decreased by RMB478,368 million or 58.22% over 2020; financial assets held under resale agreements decreased by RMB53,161 million or 8.83% over 2020. The proportion of cash and deposits with central banks decreased by 0.87 percentage

points to 9.14%; that of deposits and placements with banks and non-bank financial institutions decreased by 1.79 percentage points to 1.13%; and that of financial assets held under resale agreements decreased by 0.33 percentage points to 1.81%.

Loans and advances to customers

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

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate loans and advances	9,593,526	51.01	8,360,221	49.80	6,959,844	46.33
Short-term loans	2,683,402	14.27	2,593,677	15.45	2,205,697	14.68
Medium to long-term loans	6,910,124	36.74	5,766,544	34.35	4,754,147	31.65
Personal loans and advances	7,891,928	41.96	7,233,869	43.09	6,477,352	43.11
Residential mortgages	6,386,583	33.96	5,830,859	34.73	5,305,095	35.31
Credit card loans	896,222	4.76	825,710	4.92	741,197	4.93
Personal consumer loans	232,979	1.24	264,581	1.58	189,588	1.26
Personal business loans ¹	226,463	1.20	138,481	0.82	48,053	0.32
Other loans ²	149,681	0.80	174,238	1.04	193,419	1.29
Discounted bills	379,469	2.02	259,061	1.54	492,693	3.28
Overseas operations and subsidiaries	899,223	4.78	892,617	5.32	1,058,017	7.04
Accrued interest	43,684	0.23	41,664	0.25	36,253	0.24
Gross loans and advances to customers	18,807,830	100.00	16,787,432	100.00	15,024,159	100.00

1. These comprise personal loans for production and operation and online business loans.

2. These comprise personal commercial property mortgage loans and home equity loans, etc.

At the end of 2021, the Group's gross loans and advances to customers stood at RMB18.81 trillion, an increase of RMB2.02 trillion or 12.04% over 2020, mainly due to the increase in domestic loans and advances of the Bank.

Domestic corporate loans and advances of the Bank reached RMB9.59 trillion, an increase of RMB1.23 trillion or 14.75% over 2020, mainly extended to sectors such as infrastructure-related industries and manufacturing. In this amount, short-term loans and medium to long-term loans were RMB2.68 trillion and RMB6.91 trillion, respectively.

Domestic personal loans and advances of the Bank reached RMB7.89 trillion, an increase of RMB658,059 million or 9.10% over 2020. In this amount, residential mortgages increased by RMB555,724 million or 9.53% to RMB6.39 trillion; credit card loans were RMB896,222 million, an increase of RMB70,512 million or 8.54%; personal consumer loans decreased by RMB31,602 million or 11.94% to RMB232,979 million; personal business loans were RMB226,463 million, an increase of RMB87,982 million or 63.53%.

Discounted bills amounted to RMB379,469 million, an increase of RMB120,408 million over 2020.

Loans and advances made by overseas operations and subsidiaries were RMB899,223 million, an increase of RMB6,606 million over 2020.

Distribution of loans by type of collateral

The following table sets forth the distribution of loans and advances by type of collateral as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Unsecured loans	6,295,609	33.47	5,397,481	32.15
Guaranteed loans	2,361,221	12.56	2,222,110	13.24
Loans secured by property and other immovable assets	8,589,061	45.67	7,703,618	45.89
Other pledged loans	1,518,255	8.07	1,422,559	8.47
Accrued interest	43,684	0.23	41,664	0.25
Gross loans and advances to customers	18,807,830	100.00	16,787,432	100.00

Allowances for impairment losses on loans and advances to customers

(In millions of RMB)	2021			
	Stage 1	Stage 2	Stage 3	Total
As at 1 January 2021	275,428	108,099	172,536	556,063
Transfers:				
Transfers in/(out) to Stage 1	9,277	(8,793)	(484)	-
Transfers in/(out) to Stage 2	(10,303)	12,817	(2,514)	-
Transfers in/(out) to Stage 3	(2,551)	(21,749)	24,300	-
Newly originated or purchased financial assets	153,274	-	-	153,274
Transfer out/repayment	(107,775)	(19,250)	(47,119)	(174,144)
Remeasurements	(7,143)	83,341	72,186	148,384
Write-off	-	-	(59,999)	(59,999)
Recoveries of loans and advances previously written off	-	-	13,760	13,760
As at 31 December 2021	310,207	154,465	172,666	637,338

The Group made provisions for impairment losses on loans in line with factors such as macro economy and credit asset quality as required by the new financial instruments standard. At the end of 2021, the allowances for impairment losses on loans and advances measured at amortised cost were RMB637,338 million. In addition, the allowances for impairment losses on discounted bills measured at fair value through other comprehensive income were RMB1,116 million. The Group's allowances to NPLs and allowances to total loans were 239.96% and 3.40%, respectively.

The Group adopts a “three-stage” model for impairment based on changes in credit risk since initial recognition or by determining whether the financial instruments are credit-impaired, to estimate the expected credit losses (ECL). For stage one, financial instruments with no significant increase in credit risk since initial recognition, ECL in the next 12 months is recognised. For stage two, financial instruments with significant increase in credit risk since initial recognition, but with no objective evidence of impairment, lifetime ECL is recognised. For stage three, financial instruments with objective evidence of impairment on the balance sheet date, lifetime ECL is recognised. The Group continued to make judgement based on substantive risk assessment and comprehensively considered regulatory and business environment, internal and external credit rating of customers, customer repayment ability, customer operation capacity, contract terms of loans, asset price, market interest rate, customer repayment behaviours, and forward-looking information, to assess whether the credit risk of relevant financial instruments had increased significantly since initial recognition. For borrowers who were eligible for temporary deferral in principal repayment and interest payment in the wake of COVID-19, the Group, by reference to guidelines issued by relevant regulators, did not consider these support measures as an automatic trigger of a significant increase in credit risk. The assessment of significant increase in credit risk and the measurement of ECL both incorporated forward-looking information. The Group developed scenarios specifically tailored for ECL measurement by reference to forecast results of authoritative institutions at home and abroad and leveraging on the capability of internal experts. The Group calculates expected credit loss as weighted average of the products of probability of defaults (PD), loss given defaults (LGD) and exposure at default (EAD) under the optimistic, baseline and pessimistic scenarios, having considered the discount factor.

Financial investments

The following table sets forth the composition of the Group’s financial investments by measurement as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Financial assets measured at fair value through profit or loss	545,273	7.13	577,952	8.31
Financial assets measured at amortised cost	5,155,168	67.46	4,505,243	64.82
Financial assets measured at fair value through other comprehensive income	1,941,478	25.41	1,867,458	26.87
Total financial investments	7,641,919	100.00	6,950,653	100.00

The following table sets forth the composition of the Group's financial investments by nature as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Debt securities	7,369,446	96.43	6,665,884	95.90
Equity instruments and funds	272,473	3.57	223,589	3.22
Other debt instruments	-	-	61,180	0.88
Total financial investments	7,641,919	100.00	6,950,653	100.00

At the end of 2021, the Group's financial investments totalled RMB7.64 trillion, an increase of RMB691,266 million or 9.95% over 2020. In this amount, debt securities increased by RMB703,562 million or 10.55%, and accounted for 96.43% of total financial investments, up 0.53 percentage points over 2020; equity instruments and funds increased by RMB48,884 million, and accounted for 3.57% of total financial investments, up 0.35 percentage points over 2020.

Debt securities

The following table sets forth the composition of the Group's debt instruments by currency as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
RMB	7,133,288	96.80	6,438,835	96.60
USD	139,793	1.90	138,028	2.07
HKD	31,730	0.43	33,495	0.50
Other foreign currencies	64,635	0.87	55,526	0.83
Total debt securities	7,369,446	100.00	6,665,884	100.00

At the end of 2021, total investments in RMB debt securities were RMB7.13 trillion, an increase of RMB694,453 million or 10.79% over 2020. Total investments in foreign-currency debt securities were RMB236,158 million, an increase of RMB9,109 million or 4.01% over 2020.

The following table sets forth the composition of the Group's debt instruments by issuer as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Government	5,763,166	78.20	5,095,677	76.45
Central banks	43,088	0.58	39,619	0.59
Policy banks	774,286	10.51	781,313	11.72
Banks and non-bank financial institutions	404,472	5.49	363,852	5.46
Others	384,434	5.22	385,423	5.78
Total debt securities	7,369,446	100.00	6,665,884	100.00

At the end of 2021, government bonds held by the Group increased by RMB667,489 million or 13.10% over 2020 to RMB5.76 trillion. Central bank bonds increased by RMB3,469 million or 8.76% over 2020 to RMB43,088 million. Financial debt securities increased by RMB33,593 million or 2.93% over 2020 to RMB1.18 trillion. Specifically, RMB774,286 million was issued by policy banks and RMB404,472 million was issued by banks and non-bank financial institutions, accounting for 65.69% and 34.31%, respectively.

Repossessed assets

As part of its effort to recover impaired loans and advances to customers, the Group may obtain the title of the collateral, through legal actions or voluntary transfer from the borrowers, as compensation for the losses on loans and advances and interest receivable. At the end of 2021, the Group's repossessed assets were RMB1,648 million, and the impairment allowances for repossessed assets were RMB980 million.

Liabilities

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

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total	Amount	% of total
Deposits from customers	22,378,814	80.97	20,614,976	80.08	18,366,293	79.16
Deposits and placements from banks and non-bank financial institutions	2,232,201	8.08	2,293,272	8.91	2,194,251	9.46
Debt securities issued	1,323,377	4.79	940,197	3.65	1,076,575	4.64
Borrowings from central banks	685,033	2.48	781,170	3.04	549,433	2.37
Financial assets sold under repurchase agreements	33,900	0.12	56,725	0.22	114,658	0.49
Other liabilities ¹	986,532	3.56	1,056,561	4.10	899,924	3.88
Total liabilities	27,639,857	100.00	25,742,901	100.00	23,201,134	100.00

1. These comprise financial liabilities measured at fair value through profit or loss, negative fair value of derivatives, accrued staff costs, taxes payable, provisions, deferred tax liabilities and other liabilities.

The Group establishes a liability quality management system commensurate with the size and complexity of its liabilities, clarifies the governance system and organisational structure for liability quality management, and formulates and implements the whole-process liability quality management strategy and rules covering planning, monitoring, measurement, assessment, control, and reporting. It establishes a liability management indicator system that meets regulatory requirements and the Group's risk appetite, to continuously improve the Group's liability quality management level.

In 2021, the Group adhered to the principle of prudent operation, continued to consolidate the foundation for business development, and promoted high-quality development of the liability business. It built a management system for funds raised from all channels, established a multi-level and high-frequency liability monitoring and analysis system, paid close attention to changes in the form of customer funds and the size and structure of its own liabilities, continuously improved market competitiveness of core liabilities, and maintained stable sources of liabilities. It continued to optimise liability structure and established diversified financing channels and a decentralised and balanced customer structure to increase the diversity of liability structure. It made overall arrangements for total amount and structure of the source and use of funds, actively responded to monetary policy adjustments, re-oriented financial resource allocation, and implemented stable and prudent liquidity management strategy, to achieve stable and coordinated development of assets and liabilities. It actively built the ability to actively assume liabilities, and reasonably determined the size and frequency of issuance of long-term bonds and interbank certificates of deposit based on the strategic arrangement of assets and liabilities and market price trends, to improve market-oriented financing capabilities. It adhered to the principle of balanced development of volume and pricing, established a scientific, effective and dynamically adjusted internal and external fund pricing mechanism, and continuously optimised liability maturities, to ensure the appropriate, reasonable and controllable cost of liability. It adhered to the concept of

compliance, and strengthened management and supervision of liability transactions, accounting, and data statistics, to ensure that liability businesses comply with regulatory requirements. During the reporting period, the Group's regulatory indicators, such as liquidity coverage ratio, net stable funding ratio and liquidity ratio constantly met regulatory requirements. Indicators related to the quality of liabilities were kept within the limits, with stable performance. The Group's liability quality management steadily improved.

At the end of 2021, the Group's total liabilities were RMB27.64 trillion, an increase of RMB1.90 trillion or 7.37% over 2020. In this amount, deposits from customers amounted to RMB22.38 trillion, an increase of RMB1.76 trillion or 8.56% over 2020; deposits and placements from banks and non-bank financial institutions were RMB2.23 trillion, a decrease of RMB61,071 million or 2.66% over 2020; debt securities issued were RMB1.32 trillion, an increase of RMB383,180 million or 40.76% over 2020; borrowings from central banks were RMB685,033 million, a decrease of 12.31% over 2020. Accordingly, in the Group's total liabilities, deposits from customers accounted for 80.97% of total liabilities, an increase of 0.89 percentage points over 2020; deposits and placements from banks and non-bank financial institutions accounted for 8.08% of total liabilities, a decrease of 0.83 percentage points over 2020; debt securities issued accounted for 4.79% of total liabilities, an increase of 1.14 percentage points over 2020; borrowings from central banks accounted for 2.48% of total liabilities, a decrease of 0.56 percentage points over 2020.

Deposits from customers

The following table sets forth the Group's deposits from customers by product type as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020		As at 31 December 2019	
	Amount	% of total	Amount	% of total	Amount	% of total
Corporate deposits	10,338,734	46.20	9,699,733	47.05	8,941,848	48.69
Demand deposits	6,549,329	29.27	6,274,658	30.44	5,927,636	32.28
Time deposits	3,789,405	16.93	3,425,075	16.61	3,014,212	16.41
Personal deposits	11,278,207	50.40	10,184,904	49.41	8,706,031	47.40
Demand deposits	4,873,992	21.78	4,665,424	22.63	4,100,088	22.32
Time deposits	6,404,215	28.62	5,519,480	26.78	4,605,943	25.08
Overseas operations and subsidiaries	411,682	1.84	453,991	2.20	510,907	2.78
Accrued interest	350,191	1.56	276,348	1.34	207,507	1.13
Total deposits from customers	22,378,814	100.00	20,614,976	100.00	18,366,293	100.00

At the end of 2021, domestic corporate deposits of the Bank were RMB10.34 trillion, an increase of RMB639,001 million or 6.59% over 2020; domestic personal deposits of the Bank were RMB11.28 trillion, an increase of RMB1.09 trillion or 10.73% over 2020, and accounted for 52.17% of domestic deposits from customers, up 0.95 percentage points over 2020; deposits from overseas operations and subsidiaries were RMB411,682 million, a decrease of RMB42,309 million, and accounted for 1.84% of total deposits from customers. Domestic demand deposits were RMB11.42 trillion, an increase of RMB483,239 million or 4.42% over 2020, and accounted for 52.84% of domestic deposits from customers; domestic time deposits were RMB10.19 trillion, an increase of

RMB1.25 trillion or 13.96% over 2020, and accounted for 47.16% of domestic deposits, up 2.18 percentage points over 2020.

Shareholder's equity

The following table sets forth the Group's total equity and its composition as at the dates indicated.

(In millions of RMB)	As at 31 December 2021	As at 31 December 2020
Share capital	250,011	250,011
Other equity instruments	99,968	99,968
- preference shares	59,977	59,977
- perpetual bond	39,991	39,991
Capital reserve	134,925	134,263
Other comprehensive income	21,338	15,048
Surplus reserve	305,571	275,995
General reserve	381,621	350,228
Retained earnings	1,394,797	1,239,295
Total equity attributable to equity shareholders of the Bank	2,588,231	2,364,808
Non-controlling interests	25,891	24,545
Total equity	2,614,122	2,389,353

At the end of 2021, the Group's equity was RMB2.61 trillion, an increase of RMB224,769 million or 9.41% over 2020, primarily driven by the increase of RMB155,502 million in retained earnings. As the growth rate of total equity was faster than that of assets, the ratio of total equity to total assets for the Group rose to 8.64%, an increase of 0.15 percentage points over 2020.

Off-balance sheet items

The Group's off-balance sheet items include derivatives, commitments and contingent liabilities. Derivatives mainly include interest rate contracts, exchange rate contracts, precious metals and commodity contracts. Commitments and contingent liabilities include credit commitments, capital commitments, government bond redemption obligations, and outstanding litigation and disputes. Specifically, credit commitments were the largest component, including undrawn loan facilities which are approved and contracted, unused credit card limits, financial guarantees, and letters of credit. At the end of 2021, the balance of credit commitments was RMB3.37 trillion, a decrease of RMB43,636 million or 1.28% over 2020.

4.1.3 CREDIT QUALITY ANALYSES

Distribution of loans by five-category classification

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

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Normal	17,993,001	95.89	15,990,401	95.49
Special mention	505,074	2.69	494,638	2.95
Substandard	143,195	0.76	120,731	0.72
Doubtful	80,624	0.43	106,291	0.64
Loss	42,252	0.23	33,707	0.20
Gross loans and advances excluding accrued interest	18,764,146	100.00	16,745,768	100.00
NPLs	266,071		260,729	
NPL ratio		1.42		1.56

In 2021, the Group continuously implemented comprehensive, proactive and intelligent risk management, optimised credit structure, consolidated management foundation, accurately conducted risk classification, and firmly held the bottom line of preventing risk. As a result, the asset quality remained stable. At the end of 2021, the Group's NPLs were RMB266,071 million, an increase of RMB5,342 million over 2020; the NPL ratio stood at 1.42%, a decrease of 0.14 percentage points over 2020. The special mention loans accounted for 2.69%, a decrease of 0.26 percentage points over 2020.

Distribution of loans and NPLs by product type

The following table sets forth the Group's loans and NPLs by product type as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2021			As at 31 December 2020		
	Loans and advances	NPLs	NPL Ratio (%)	Loans and advances	NPLs	NPL Ratio(%)
Corporate loans and advances	9,593,526	217,558	2.27	8,360,221	213,885	2.56
Short-term loans	2,683,402	74,808	2.79	2,593,677	82,260	3.17
Medium to long-term loans	6,910,124	142,750	2.07	5,766,544	131,625	2.28
Personal loans and advances	7,891,928	31,242	0.40	7,233,869	29,451	0.41
Residential mortgages	6,386,583	12,909	0.20	5,830,859	11,320	0.19
Credit card loans	896,222	11,960	1.33	825,710	11,591	1.40
Personal consumer loans	232,979	2,278	0.98	264,581	2,604	0.98
Personal business loans	226,463	1,627	0.72	138,481	1,377	0.99
Other loans	149,681	2,468	1.65	174,238	2,559	1.47
Discounted bills	379,469	-	-	259,061	-	-
Overseas operations and subsidiaries	899,223	17,271	1.92	892,617	17,393	1.95
Gross loans and advances excluding accrued interest	18,764,146	266,071	1.42	16,745,768	260,729	1.56

Distribution of loans and NPLs by industry

The following table sets forth the Group's loans and NPLs by industry as at the dates indicated.

(In millions of RMB, except percentages)	As at 31 December 2021				As at 31 December 2020			
	Loans and advances	% of total	NPLs	NPL ratio (%)	Loans and advances	% of total	NPLs	NPL ratio (%)
Corporate loans and advances	9,593,526	51.13	217,558	2.27	8,360,221	49.92	213,885	2.56
Transportation, storage and postal services	1,760,364	9.38	20,763	1.18	1,582,628	9.45	31,483	1.99
Leasing and commercial services	1,725,682	9.20	40,204	2.33	1,399,735	8.36	26,430	1.89
- Commercial services	1,693,920	9.03	39,766	2.35	1,376,621	8.22	25,468	1.85
Manufacturing	1,402,653	7.48	58,963	4.20	1,294,355	7.73	78,059	6.03
Production and supply of electric power, heat, gas and water	960,869	5.12	10,955	1.14	826,390	4.93	12,511	1.51
Wholesale and retail trade	912,515	4.86	18,129	1.99	727,948	4.35	20,989	2.88
Real estate	730,087	3.89	13,536	1.85	687,504	4.11	9,011	1.31
Water, environment and public utility management	627,875	3.35	7,781	1.24	524,913	3.13	7,052	1.34
Construction	445,952	2.38	8,274	1.86	381,172	2.28	6,732	1.77
Mining	246,338	1.31	24,973	10.14	212,835	1.27	7,132	3.35
- Exploitation of petroleum and natural gas	3,797	0.02	335	8.82	2,092	0.01	427	20.41
Information transmission, software and information technology services	117,615	0.63	2,401	2.04	92,887	0.55	2,181	2.35
- Telecommunications, broadcast and television, and satellite transmission services	20,729	0.11	678	3.27	21,802	0.13	604	2.77
Education	73,272	0.39	114	0.16	70,763	0.42	75	0.11
Others	590,304	3.14	11,465	1.94	559,091	3.34	12,230	2.19
Personal loans and advances	7,891,928	42.06	31,242	0.40	7,233,869	43.20	29,451	0.41
Discounted bills	379,469	2.02	-	-	259,061	1.55	-	-
Overseas operations and subsidiaries	899,223	4.79	17,271	1.92	892,617	5.33	17,393	1.95
Gross loans and advances excluding accrued interest	18,764,146	100.00	266,071	1.42	16,745,768	100.00	260,729	1.56

In 2021, the Group continued to optimise and adjust credit structure, and promoted green transformation to firmly support high quality development of the real economy. The NPL ratios in the manufacturing industry and wholesale and retail trade industry were 4.20% and 1.99%, down 1.83 and 0.89 percentage points, respectively, over 2020.

4.1.4 SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The significant accounting policies and accounting estimates of the Group mainly include the classification of financial assets, measurement of expected credit losses, fair value of financial instruments, income taxes, employee retirement benefits, and scope of consolidation.

The Group has adopted amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16 regarding Interest Rate Benchmark Reform – Phase 2, and amendments to IFRS 16 regarding COVID-19-Related Rent Concessions beyond 30 June 2021 which became effective during the reporting period. The adoption of the above amendments does not have a significant impact on the Group's consolidated financial statements.

4.1.5 DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS PREPARED UNDER PRC GAAP AND THOSE PREPARED UNDER IFRS

There is no difference in net profit for 2021 or total equity as at 31 December 2021 between the Group's consolidated financial statements prepared under PRC GAAP and those prepared under IFRS.

4.2 BUSINESS REVIEW

The Group's major business segments are corporate banking, personal banking, treasury business, and others including overseas business and subsidiaries.

The following table sets forth, for the periods indicated, the operating income, impairment losses, and profit before tax of each major business segment.

(In millions of RMB)	Operating income		Impairment losses		Profit before tax	
	2021	2020	2021	2020	2021	2020
Corporate banking	304,448	284,393	(112,478)	(146,580)	106,324	66,615
Personal banking	350,127	327,136	(33,213)	(30,887)	214,709	206,047
Treasury business	63,373	66,292	(13,503)	108	37,336	55,915
Others	46,758	36,403	(9,521)	(12,570)	20,043	8,039
Total	764,706	714,224	(168,715)	(189,929)	378,412	336,616

In 2021, operating income of the Group's corporate banking business reached RMB304,448 million, up 7.05%; impairment losses were RMB112,478 million, down 23.27%; profit before tax was RMB106,324 million, up 59.61%, accounting for 28.10% of the Group's profit before tax, up 8.31 percentage points over 2020. Operating income of personal banking business reached RMB350,127 million, up 7.03%; impairment losses were RMB33,213 million, up 7.53%; profit before tax totalled RMB214,709 million, up 4.20%, accounting for 56.74% of the total at the group level, down 4.47 percentage points over 2020. Operating income of treasury business totalled RMB63,373 million, down 4.40%; impairment losses were RMB13,503 million; profit before tax totalled RMB37,336 million, down 33.23%, accounting for 9.87% of the total at the group level, down 6.74 percentage points over 2020. Other operating income totalled RMB46,758 million, up 28.45%, and profit before tax totalled RMB20,043 million.

4.2.1 PROMOTION OF THREE MAJOR STRATEGIES

House rental strategy

The Group steadily pressed ahead with its house rental strategy. By the end of 2021, the Group's comprehensive house rental service platform had covered 96% administrative regions at prefecture-level or above across the country, providing a transparent trading platform for 15 thousand enterprises and 38 million individual landlords and tenants. More than 10.16 million verified houses and apartments and 7.60 million contracts had been filed with the platform on a cumulative basis, which also provided the government with an effective tool for market supervision. It created the "CCB Home" long-term rental community, incorporating smart communities, public services, financial services and entrepreneurship services, to create a comfortable living environment for blue-collar, white-collar, young entrepreneurs and other tenants. By the end of 2021, the Group had officially operated 179 communities. The Group vigorously supported the construction of indemnificatory housing projects for rental, participated in more than 300 indemnificatory housing projects for rental in major cities across the country, and granted designated loans to increase the supply of small apartments with low rents. It supported system building and launched the indemnificatory rental housing APP in more than 50 cities. The Group proactively promoted the pilot of public REITs for the indemnificatory rental house projects, strengthened the connection with key market entities, and entered into cooperation agreements on public REITs with enterprises in Guangzhou, Nanjing and other cities, so as to smooth the financing cycle of the indemnificatory rental house with financial innovation. The

public rental housing APP has been launched in more than 30 cities to enable a convenient mobile device-based business process for qualified applicants. The Group actively explored the integration of its house rental initiatives with policies on urban reconstruction and rural revitalisation and supported the transformation of villages in urban areas and old residential areas in cities such as Beijing and Guangzhou to promote integrated development. At the end of 2021, the Bank's loans for house rental business were RMB133,461 million, an increase of RMB50,060 million or 60.02% from 2020. Specifically, corporate house rental loans totalled RMB82,020 million, an increase of RMB38,221 million or 87.26% from 2020, supporting more than 400 house rental enterprises and projects supported by CCB can provide 500,000 properties to society. Public rental house loans totalled RMB51,441 million, an increase of RMB11,839 million or 29.89% from 2020.

Inclusive finance strategy

The Group continued to develop the model of digitalised inclusive finance featuring “batch customer acquisition, accurate profiling, automated approval, intelligent risk control, and integrated services”, and pressed steadily ahead with the high-quality development of inclusive finance services. The Group enhanced platform operation with digital technology and other technologies to improve market responsiveness. “CCB Huidongni” APP had attracted over 150 million online user visits and been downloaded more than 19 million times. It had 14,433.4 thousand registered users and 6,396 thousand certified enterprises, an increase of 1,947.3 thousand from 2020. It had 1,260.6 thousand credit customers, and granted RMB989.9 billion loans, an increase of RMB550,050 million from 2020. The Group focused on the diverse needs of inclusive finance groups such as small and micro businesses, individual business owners, agriculture-related customers, as well as upstream and downstream customers in the supply chain, and diversified product lines of “Quick Loan for Small and Micro Businesses”, “Quick Loan for Personal Business”, “Yunong Quick Loan”, and “Quick Loan for Transactions” so as to improve the ability and efficiency to meet customer demands. Loans granted through products with new characteristics such as “Quick Loan for Small and Micro Businesses” totalled RMB5.93 trillion since their launch, benefiting 2,524.9 thousand customers. The Group upgraded “CCB Start-up Station” service models for medium, small and micro businesses engaging in sci-tech innovation and enhanced the service capabilities in technological innovation. By the end of 2021, the Group had launched “CCB Start-up Station” in 19 provinces and cities, granting more than RMB30 billion loans to over 9,000 member enterprises. The Group gave full play to the advantages of outlets and channels and strengthened the integrated development to make its service more accessible to common people online and provide warm and high-quality offline service. At the end of 2021, the Bank had more than 14,000 outlets that can provide inclusive finance services, and approximately 19,000 inclusive finance specialists. The Bank also established 252 inclusive finance (small business) service centres and small business centres, as well as 2,449 featured inclusive finance outlets. It continuously upgraded the “digital, whole-process, standardised” intelligent risk control and management system for inclusive finance to ensure the stable credit asset quality of inclusive finance. According to the regulatory classification requirements in 2021, the Bank's inclusive finance loans increased by RMB449,944 million or 31.60% over 2020 to RMB1.87 trillion. The number of inclusive finance loan borrowers increased by 241.2 thousand over 2020 to 1,936.7 thousand. The Group increased efforts in surrendering profits to support the real economy, and the interest rate of new inclusive loans granted to small and micro businesses was 4.16%, down 0.20 percentage points from 2020.

By the end of 2021, the Group had established 510,000 “CCB Yunongtong” inclusive finance service sites, covering 80% of towns and administrative villages, and 37% of the service sites were jointly set up with the CPC village committees and villagers' self-governance committees. The

Group continued to upgrade financial services, smart village affairs, convenience affairs and e-commerce functions in “CCB Yunongtong” comprehensive service platform for rural revitalisation. The platform served more than 2 million registered users on a cumulative basis, granted RMB5,119 million loans, and completed payments of over RMB180 million. The Group issued 18.53 million “Rural Revitalisation · Yunongtong Cards” mainly targeted at large planting and breeding households and people returning to rural areas for innovation and entrepreneurship, with new customers accounting for more than 80% of the total. The Group focused on the construction of an ecological scenario-based financial service system for six featured agriculture-related industrial chains, including food security, dairy industry revitalisation, beef cattle, vegetables, fruits, and flowers, and built a new business model serving all scenarios, customer groups and industrial chains. At the end of 2021, the balance of agriculture-related loans of the Bank was RMB2.47 trillion, up RMB376,962 million or 18.05% from 2020. Specifically, the balance of agriculture-related corporate loans was RMB1.74 trillion; the balance of agriculture-related personal loans was RMB721,325 million; the balance of agriculture-related inclusive loans (excluding discounted bills) was RMB295,427 million, up RMB70,170 million or 31.15% from 2020; the balance of agriculture-related green loans was RMB406,988 million, up RMB138,820 million or 51.77% from 2020. The number of agriculture-related loan borrowers was 2,351.5 thousand with an interest rate of 4.30% for new agriculture-related loans originated during the year, down 0.07 percentage points from 2020.

FinTech strategy

The Group released the *FinTech Strategic Plan (2021-2025)* to further promote FinTech strategy, improve FinTech system and mechanism, consolidate the construction of digital infrastructure of New Finance, strengthen the abilities of independent controllable technological innovation, ensure the safety and stability of IT operation and maintenance and empower the high-quality development of New Finance.

The Group accelerated the comprehensive cloud-native oriented transformation and promoted “CCB Cloud” to be the preferred cloud service brand for users in the financial industry. Beijing Daoxianghu Park was officially put into use. The Group started national infrastructure layout of financial data centre clusters by changing from three centres across two locations to multiple centres across multiple locations. It continued to build innovative, high-speed, ubiquitous networks, continuously promoted the full deployment of software-defined networking (SDN) and created the first SRv6-based intelligent cloud backbone network in the financial industry in China. It took the lead among peers to realise the CCB Cloud layout of “Multi-Zone, Multi-Region, Multi-Technology Stack and Multi-Chip”, deployed more than 200,000 cloud servers with standard computing capacity, and outperformed peers in overall size and service capabilities in China. It also took the lead among peers to provide full-stack, independent, controllable cloud services, and to put into full production of “Collaborative Office System” based on the full-stack innovative technology within the Group, which was shortlisted for the “Ten Major Events of Financial Informatisation across the Mainland of China in 2021”. The Group achieved remarkable achievements in the distributed architecture transformation. It was the first large commercial bank to launch and operate the distributed core system for domestic and overseas credit card business and supported multi-technology stack operation. It was the first to complete the cloud-native deployment of the retail loan system, migrate all businesses to the distributed system and to fully use the independent distributed database. It was also the first among peers in the domestic financial industry to complete the architecture transformation of the distributed core system, and to have the ability to completely replace the traditional architecture core system with an open distributed architecture system. The Bank won five key awards in the PBC's 2020 Fintech Development

Awards, including the first prize of "Practice on Core Banking System Construction Based on Multi-Technology Stack".

The Group continued to advance the construction of technology middle platform and created a group-level one-stop fundamental technological capability of sharing, agility and collaboration. It was the first among peers in the domestic financial industry to complete the independent development of the container cloud platform at financial level, as well as the cloud-native architecture upgrade of technology platforms, such as big data platform, AI platform, blockchain platform, and mobile internet platform. It independently developed the big data cloud platform, deployed the domestic financial industry's largest MPP database processing cluster with separation between storage and computation, covered 18,000 computing nodes, and migrated all business data into the data lake. It significantly enhanced real-time data collection, analysis and visualisation capabilities, effectively supported more than 100 real-time business scenarios such as customer journey application and realised the cloud-based processing and intensive management of big data analysis and mining at all 37 branches. It upgraded the AI platform to use the cloud-native architecture, and built complete end-to-end capabilities for data annotation, model training, and service deployment. It applied AI services to the five fields of computer vision, intelligent voice, natural language processing, knowledge graph and intelligent decision-making, which supported 617 scenarios on a cumulative basis. It established the knowledge graph system for the review of documents and was the first among peers to implement AI application cases in the letter of credit review scenario. It won the second place in the 16th ICDAR2021, the top international event for AI document image analysis and recognition, with its independent algorithm of OCR/ICR (intelligent character recognition). The Group built a unified blockchain service platform, enabled trusted data exchange and secure and encrypted privacy protection, supported 16 business areas such as trade financing and cross-border payment, launched 40 scenarios, and was shortlisted for the "Forbes BlockChain 50" for three consecutive years. It built an applet-based mass development capability with the mobile internet platform, integrated the applet operation engine for "CCB Lifestyle" platform and mobile banking, and supported the applet ecology construction. It took the lead in completing the construction of 5G messaging platform and was the first to launch the "5G Messaging Bank". It built an enterprise-level secure computing platform for data sharing and implemented the privacy protection computing technology to make data "available yet invisible". It built a smart security operation platform, defended 79,695,000 network attacks and blocked 2.47 million source addresses in 2021, effectively improved the practical, systematic and normal network security operations as well as enhanced the capacity of security defence, maintaining the industry's leading position.

The Group improved systems and mechanisms of FinTech and empowered the high-quality development of New Finance. In 2021, it handled 18,000 new business requirements, and implemented 86,000 business requirements with total requirements implemented going up 104.2% over 2020, promoting the development and capacity enhancement across the Bank. The Group established the FinTech and Digital Promotion Committee, improved the organisational structure of FinTech, continued to increase FinTech investments, and enhanced the vitality of technological innovation. It improved the IT business partner (ITBP) cooperation mechanism that deeply integrated business, data and technology, recruited more FinTech talents, and realised a steady growth of the interdisciplinary FinTech talent team with business and technology expertise. At the end of 2021, the number of FinTech personnel of the Group was 15,121, accounting for 4.03% of its total headcount. The investment in FinTech was RMB23,576 million, accounting for 3.08% of its operating income. The Group had been granted a total of 731 patents, an increase of 167 over 2020, including 455 invention patents which topped the domestic banking industry.

4.2.2 CORPORATE BANKING

Corporate financial service

Corporate deposits increased steadily, and the customer base and account base were continuously consolidated. At the end of 2021, domestic corporate deposits of the Bank amounted to RMB6.54 trillion, an increase of RMB267,740 million or 4.27% over 2020. Specifically, demand deposits increased by 2.94% and time deposits increased by 10.50%. The number of the Bank's corporate customers was 8,460 thousand, an increase of 850 thousand from 2020. The Bank had 11,950.9 thousand corporate RMB settlement accounts, an increase of 492.1 thousand over 2020.

Corporate loans maintained a rapid growth, vigorously supported key areas and effectively served the real economy. At the end of 2021, domestic corporate loans of the Bank amounted to RMB9.59 trillion, an increase of RMB1.23 trillion or 14.75% over 2020, with the NPL ratio of 2.27%. Loans to infrastructure sectors reached RMB5.07 trillion, an increase of RMB733,108 million or 16.91% over 2020, accounting for 52.82% of domestic corporate loans and advances, with the NPL ratio of 1.58%. Medium to long-term manufacturing loans amounted to RMB671,741 million, an increase of RMB151,993 million or 29.24% over 2020. Loans to private enterprises amounted to RMB3.32 trillion, an increase of RMB438,749 million or 15.21% over 2020. Loans to strategic emerging industries totalled RMB921,979 million, an increase of RMB306,459 million or 49.79% over 2020. Domestic loans to real estate industry of the Bank amounted to RMB730,087 million, an increase of RMB42,583 million over 2020. The Bank had provided 94.6 thousand customers in 5,952 core enterprise industrial chains with a total of RMB802,387 million supply chain financing support on a cumulative basis.

Institutional business

The Bank continued to implement the smart government affairs services strategy. By the end of 2021, the Bank had established cooperative relationships with 29 provincial governments, and participated in government affairs service and development of supervision platforms and application scenarios. The total number of registered users of the online platforms exceeded 200 million, and the total number of processed government affairs reached more than 2.5 billion. The Group shared outlets and channels to build a "Government Affairs Lobby for the Public". More than 14,000 outlets enabled the government affairs service function, where people could process, make appointments for and inquire about more than 6,000 government affairs items. By the end of 2021, the Bank had processed over 47 million government affairs for more than 20 million users. The Bank was the first among its peers to designate a smart teller machine (STM) service zone for "all-in-one network" model for government affairs in all 31 provinces, autonomous regions, and municipalities, covering 1,593 various government affairs scenarios. The Bank helped launch the "cross-provincial" government affairs service platform in Chongqing, Sichuan, Guizhou, Yunnan, and Tibet to provide convenient cross-region government affairs services for residents. The Bank further integrated government affairs services and banking services, and constantly developed scenarios for government affairs services payment system, covering property transactions, non-tax services, social security contributions, convenience services, litigation fees, tuition payment, and hospital diagnosis and treatment. It had enabled over 12,000 online payment items with total payment exceeding RMB100 billion.

The Bank promoted the comprehensive service platform for the supervision of collective funds, assets and resources in rural areas, the trading of rural property rights and smart village affairs, innovated the credit service system for rural collective economy, and supported customers across the country to achieve common prosperity for the rural areas. The Bank continuously deepened and expanded the cooperative relationship with customers in education and healthcare sectors and

was the exclusive sponsor of the "CCB Cup" China International College Students' 'Internet +' Innovation and Entrepreneurship Competition for the seventh consecutive year. It continuously expanded the high-quality development of fiscal business and won first prize in the comprehensive assessment of the national treasury centralised payment business of the MOF for the third consecutive year. It also outperformed peers in terms of the number of budget payment holders and business volume of agency payment business authorised by the central government. The Bank launched the "Smart Payment" to provide finance and tax authorities and the public with comprehensive financial services for inquiring, reporting, non-tax paying, and taxes and fees. In 2021, the platform completed over 200 million transactions.

International business

The Bank made every effort to build a new development pattern of "dual circulation" and steadily enhanced its ability to engage in international competition. It improved the service quality and efficiency of "CCB Match Plus" to help stabilise the global industrial chain and smooth international trade. It also innovated cross-border payment products to provide more convenient, efficient, and low-cost payment and settlement services for Chinese enterprises to participate in global economic activities. The Block Chain Trade finance platform became the first blockchain trading platform in the industry with a transaction volume of over RMB1 trillion. The Bank listed in the "Forbes Blockchain 50" for three consecutive years and was awarded the "Best Blockchain Initiative Application or Programme" by *The Asian Banker* for two consecutive years as a result of its innovative practice. As the first batch of banks directly linked to China International Trade "Single Window", the Bank launched over ten online financial service functions, maintaining a leading advantage among peers. The whole-process online "Cross-border Quick Loan" series products granted approximately RMB20 billion to small- and micro-sized foreign trade enterprises. The Bank innovated and enriched the product line of Credit Insurance Finance, and continued expanding its volume. It has established correspondent banking relationships with more than 600 banks in countries along the Belt and Road and launched all-currency payment products supporting the settlement in more than 140 minor currencies, with over RMB130 billion transactions completed via "Cross-border Easy Payment". Project Factoring (Jiandantong, Jianpiaotong and Jianxintong) had provided financial support to more than 130 projects in 49 countries along the Belt and Road, with a cumulative amount of over RMB13 billion. In 2021, the Bank's trade financing reached RMB1.40 trillion.

The Bank actively contributed to the implementation of RMB liberalisation strategy, continued to promote the use of RMB in key areas, and enhanced the comprehensive capacity to serve overseas institutional investors, and was awarded the title of "Best Domestic Bank for RMB Internationalisation" by *Global Finance*. In 2021, the Bank's cross-border RMB settlement volume reached RMB2.67 trillion, an increase of 23% over 2020, serving 31,400 cross-border RMB settlement customers. The Bank officially became the HK dollar settlement agent of the Cross-border Interbank Payment System (CIPS), actively promoting the stable operation of the "Southbound Bond Connect". Its RMB clearing branch in UK continued to be the largest RMB clearing bank outside Asia, with a cumulative clearing amount of over RMB64 trillion.

Asset custody services

The Bank fully promoted the high-quality development of custody services. It successfully won the bid of custody of National Green Development Fund, Beijing-Tianjin-Hebei Synergistic Development Industrial Investment Fund and Guangdong Beautiful Countryside Revitalisation Development Fund, carried out enterprise assets reorganisation service trust custody innovation, and was appointed as the depository bank of China Depository Receipts (CDR) with the largest issuing amount. It was also awarded the “Best Digital Assets Custodian in China” by *The Asian Banker*. At the end of 2021, assets under custody of the Bank reached RMB17.7 trillion, an increase of RMB2.45 trillion over 2020. Specifically, insurance assets, assets entrusted to security companies and qualified foreign investors (QFI) assets under the Bank’s custody increased by RMB626.2 billion, RMB360.3 billion and RMB65.4 billion respectively, all ranking first in the industry. Income from custody services was RMB6,945 million, an increase of RMB1,412 million or 25.52% over 2020. Specifically, total fees income and incremental income of QFI custody service outperformed its peers.

Settlement and cash management business

The Bank continuously enhanced its capabilities in providing settlement and cash management services. Relying on digital and intelligent means, it coordinated and optimised account service and conducted account life cycle management. By implementing the national deployment on reducing fees for micro and small enterprises and individual business owners, it finished fee reduction of 15 items such as corporate RMB remittance fee to effectively reduce the overall costs of small and micro businesses and other market entities and support high-quality development of the real economy. It continuously enriched the variety of cash management products, launched the "Yudao - Treasury Cloud", a cross-bank treasury management service platform for enterprises and the "Zhangbutong", an innovative fund classification management product. It provided more safe, convenient and efficient collection and payment services to improve customer experience. It also strengthened its overall services to multinational enterprises by providing more cross-border products, including improved integrated cash management services usable both at home and abroad. In terms of gambling and fraud risk management measures, the Bank was capable of intercepting suspicious transactions and controlling customers’ accounts timely to reduce the number of misused accounts. At the end of 2021, the Bank had 11,950.9 thousand corporate RMB settlement accounts, an increase of 492.1 thousand over 2020.

4.2.3 PERSONAL BANKING

Personal financial service

The Bank adhered to its positioning of “customers’ major banking partner”, focused on trends of the wealth era, embraced opportunities in the digital era, built a new ecosystem of personal finance, and promoted the high-quality development of retail business. It was awarded the “Best Mega Retail Bank in China” by *the Asian Banker* in 2021. The Bank built a “layered, sub-group and graded” personal customer operation management system. It strengthened the hierarchical management, connected the chain of “Direct operation through scenarios for basic customers - Direct operation through private domain for potential customers - Exclusive operation through outlets for medium- and high-end customers - 1+1+N services for private banking customers”, so as to enhance matrix and grid-based customer service capabilities. It upgraded the operation of sub-groups, and focused on meeting the needs of key customer segments in phases based on the quarterly fluctuation pattern. It coordinated graded services, integrated the rights and benefits of various products, and created the path of self-motivated relationship enhancement by customers. The Bank became increasingly sophisticated in digitalised operation. It had a keen grasp of the digital trend and formed the operation logic of “identifying customers based on funds, forming in-depth insights on the right customers, focusing on and exploring prospective customer segments”. The Bank fully released the multiplier effect of “Business + Technology” and “People + Digitalisation” and achieved remarkable results in the direct operation to hundreds of millions of long-tail personal customers. It outlined the inclusive, shared, professional, and intelligent mega wealth management blueprint, and built the mega wealth management system with CCB characteristics. Relying on digital means and FinTech, the Bank improved the wealth management capability for all personal customers. It kicked off the mega wealth management transformation with the “Wealth Season” marketing campaign and improved the brand awareness of “CCB Long Fortune”. The Bank launched an innovative mega wealth management platform, upgraded the wealth management channel via mobile banking, enhanced the smart service capability, and advanced the “Cross-border Wealth Management” to diversify WMPs and channels for cross-border investment for residents in Guangdong-Hong Kong- Macao Greater Bay Area. At the end of 2021, domestic personal deposits of the Bank increased by RMB1.09 trillion over 2020, to RMB11.28 trillion; and financial assets of personal customers exceeded RMB15 trillion. The number of personal customers reached 726 million, an increase of 22.52 million over 2020; and the number of investment and wealth management customers increased by 22.05 million or 17% over 2020. The profit of personal banking business accounted for 56.74% of the total profit.

The Bank actively implemented national policies on real estate macro-control and prudent management requirements on real estate finance, and strictly implemented differentiated housing credit policies. It carefully selected proper locations, enterprises, projects and customers in granting loans to support the reasonable housing demand of households, and actively practised the whole-process risk prevention and control concept to ensure the sustainable, stable and healthy development of residential mortgages. At the end of 2021, the balance of domestic personal loans amounted to RMB7.89 trillion, up 9.10% over 2020. Specifically, the balance of residential mortgages was RMB6.39 trillion; the balance of personal consumer loans was RMB232,979 million, including RMB209,049 million personal quick loans; and the balance of agriculture-related personal loans “Yunong Loan” was RMB15,874 million.

Entrusted housing finance business

The Bank continued to improve the financial ecology construction of housing reform and promoted the digital transformation of provident housing fund. At the end of 2021, the balance of housing fund pools totalled RMB3.85 trillion, the balance of housing fund deposits was RMB1.06 trillion, and the balance of personal provident housing fund loans was RMB2.78 trillion, maintaining the leading market position. The Bank promoted financial services for the indemnificatory housing market and granted a total of RMB117,613 million indemnificatory housing loans to 600,000 low- and middle-income residents.

Bank card business

The Bank steadily promoted the development of mass consumption ecology. It took outlets as the hub to build the business area around the community, launched the “Business Management Insight” online business platform, and drove traffic between online and offline channels, outlets and business areas. It cooperated with the third-party payment institutions to expand the new track of scenario-based ecology and created a new comprehensive service model of “Card acquiring + Marketing empowerment + Exclusive financial products”. It built a flexible and universal scenario-based account service system that extensively connects to external scenarios. It deployed functions, scenarios and rights of “Long Pay” on the “CCB Lifestyle” platform to provide users with a one-stop service experience of consumption scenarios, payment and settlement. It launched a series of activities such as “Long Pay · Joyful Summer Holiday” and cooperated with high-quality merchants to provide customers with multi-scenario and multi-coverage consumption discounts to facilitate active consumption transactions. The Bank further promoted the intensive operation of merchant business. At the end of 2021, the Bank had 4.92 million card acquiring merchants, an increase of 120,000 over 2020, with the transaction volume of RMB4.20 trillion, an increase of 12.22% over 2020.

The Bank accelerated the transformation of credit card innovation to meet the multi-level needs of customers. The Bank built a digital virtual credit card product system with products such as “CCB Lifestyle Card”, “Long Card Credit (Daiba)” and “Ultimate Card”, innovated and launched new products such as “Rose me Card”, “Leader” credit card in its Transformers series and “American Express Red Card”, explored to cooperate with and attract traffic from leading internet enterprises and expanded the credit card business to cover young and inclusive finance customers. It created the brand “Long Credit Card Discounts 666”, carried out activities such as cashback for spending certain amount of money and bonus point activity “Monthly Gift”, and promoted the construction of the ecology and scenario of the preferential business area. It innovated and launched products, such as “Long Green & Low-Carbon Credit Card” and “Long E-Loan Cars” for used car instalment, and further cooperated with new energy automobile brands. The Bank stepped up efforts to promote Yunongtong Credit Card, accelerated the construction of the consumer payment acceptance environment in the county and countryside, and innovated the service of “Easy POS Payment for Xinjiang Cotton Farmers”, benefiting more than 200,000 local cotton farmers. The Bank safeguarded the bottom line of wiping out risks, strengthened the control over capital use and fraud risk, complied with the policy that “houses are for living in and not for speculation”, and upgraded the source management of real estate transactions. It strengthened the analysis of customers susceptible to telecom fraud clients, their cards and transaction characteristics, and established a long-term merchant risk monitoring mechanism for gambling and fraud risks.

At the end of 2021, the Bank's domestic credit card loans totalled RMB896,222 million, with the NPL ratio of 1.33%. The cumulative number of credit cards issued reached 147 million, an increase of 3.96 million over 2020, with the cumulative number of customers of 105 million and transaction volume of RMB3.04 trillion, ranking the first in the industry in terms of total customers, loan size, instalment transaction volume, instalment loans and income from instalment business. The number of debit cards issued exceeded 1,256 million, with the transaction volume of RMB25.92 trillion, an increase of 10.39% over 2020.

Private banking

The Bank focused on meeting the needs of high net-worth customers for their wealth management, assets allocation and quality services. It implemented a pilot of private banking asset allocation services and provided customised and differentiated wealth planning and asset allocation services. The Bank deepened investment product research, improved product selection, innovated private banking pension services, and diversified open products and services. It issued professional reports on private banking strategy analysis, laws and taxation, launched a "Wealth Management, Creation and Succession" video forum, improved the professional service ability of front-line private banking functions and expanded the brand influence of private banking in the market. It pressed ahead with the building of the whole-process integrated system for smart applications and customer services of private banking and created a high-standard quality service experience for private banking customers. It strengthened comprehensive risk management, and effectively protected the interests of customers. At the end of 2021, the private banking customers' assets under management reached RMB2.02 trillion, an increase of 13.64% over 2020. The Bank had 177,200 private banking customers, an increase of 10.19% over 2020. The balance of assets under management of family trust advisory business was RMB68,510 million, further consolidating the leading position of the Bank.

4.2.4 TREASURY BUSINESS

Financial market business

Adhering to high-quality development, the financial market business of the Bank achieved remarkable results in operation and management, with continuously enhanced profitability and market position, and further consolidated foundation of risk control.

Money market business

The Bank strengthened its proactive management with a combination of money market tools, and maintained reasonable RMB and foreign currency positions, to ensure sound liquidity. It paid close attention to changes in monetary policies with in-depth understanding of market movement pattern to enhance the transaction capacity, investment and research capability and risk prevention capability. With regard to RMB money market business segment, the Bank maintained a high volume of money market transactions, continued to improve portfolio returns, launched the “AI Trader” for money market, improved digitalised operation capabilities, continued to empower small and medium-sized financial institutions, and actively played the role of “transmitter” of monetary policy and “stabiliser” of money market. With regard to foreign currency money market business segment, the Bank tracked changes in global markets and policies in a timely manner, and flexibly adjusted its strategic allocation to ensure reasonable and adequate foreign currency liquidity. The Bank implemented the interest rate benchmark reform, expanded foreign currency bond repo business, and remained among the best in the interbank Foreign Currency Lending (FCL) Quoting Banks.

Debt securities business

The Bank adhered to the principle of value-driven investment and supported the development of the real economy and the implementation of macro-control policies. The Bank continued to predict interest rate movements, adjusted its pace of investment when appropriate, and optimised the portfolio structure to raise the overall return on investments. It paid close attention to interest rate changes in global markets and struck a balance between liquidity and safety within the bank-wide risk appetite to achieve a stable portfolio returns. It increased its investment in high-quality corporate bonds at home and abroad, as well as green bonds, and strictly controlled credit risks.

Customer-based trading business

The Bank continuously implemented refined management and steadily executed the business strategy to constantly promote the high-quality development of its customer-based trading business. It focused on advancing channel optimisation and digitalised operation, consolidated its customer base, actively expanded its overseas institutional investors base, with a steadily increasing number of customers. It actively promoted the concept of interest rate hedging to meet customer needs. It continued to optimise the independently developed “Blue Core Exchange Rate Portfolio Management Platform”, taking the lead among its peers in terms of system autonomy and comprehensive function. In 2021, customer-based trading business amounted to US\$755.4 billion, and the volume of foreign exchange market-making transactions reached US\$5.15 trillion. The Bank maintained its competitive strength in the comprehensive ranking for interbank foreign exchange market makers.

Precious metals and commodities

The Bank was committed to the transformation and development of precious metals and commodities business. It paid close attention to market fluctuations, provided commodity hedging services for industrial chain enterprises to help them operate steadily. It also adjusted its business structure, strengthened digitalised operations and business training, enhanced customer service capabilities in precious metals and commodities business, and improved the protection of customer's rights and interests. In 2021, the total trading volume of precious metals of the Bank reached 63,322 tonnes.

Assets management

The Bank seized opportunities such as wealth management and capital market development, continued to advance the building of the Group's new asset management system, accelerated the transformation and innovation of the asset management business model, and strengthened the integrated and coordinated management within the Group. It continued to step up efforts in key areas, such as investment research, channel sales, asset allocation, internal risk control, investment operation, and asset management technology. It strictly followed regulatory policies to carry out operation and rectification of existing WMPs in a smooth and orderly manner and completed the rectification of outstanding wealth management business in the transition period. At the end of 2021, the Group's WMPs amounted to RMB2,372,279 million. In this amount, those managed by the Bank were RMB183,949 million, and those managed by CCB Wealth Management were RMB2,188,330 million. The Group's net-value WMPs amounted to RMB2,188,330 million, all of which were managed by CCB Wealth Management, accounting for 92.25% of the total, an increase of 47.71 percentage points over 2020.

In 2021, the Bank raised RMB4,230,393 million by issuing WMPs and redeemed RMB5,574,308 million at maturity. At the end of 2021, the balance of WMPs of the Bank was RMB183,949 million, including RMB59,709 million closed-end products and RMB124,240 million open-end products. The balance of WMPs to corporate customers was RMB37,322 million, accounting for 20.29% of the total, and the balance of WMPs to personal customers was RMB146,627 million, accounting for 79.71% of the total. In 2021, CCB Wealth Management raised RMB5,110,426 million by issuing WMPs and redeemed RMB3,619,080 million at maturity. At the end of 2021, the balance of WMPs of CCB Wealth Management was RMB2,188,330 million, including RMB498,489 million closed-end products and RMB1,689,841 million open-end products. The balance of WMPs to corporate customers was RMB367,072 million, accounting for 16.77% of the total, and the balance of WMPs to personal customers was RMB1,821,258 million, accounting for 83.23% of the total.

Information on issuance, maturity and balance of the Group's WMPs during the reporting period is as follows.

(In millions of RMB, except batches)	As at 31 December 2020		WMPs issued in 2021		WMPs matured in 2021		As at 31 December 2021	
	Batches	Amount	Batches	Amount	Batches	Amount	Batches	Amount
The Bank	2,391	1,527,864	981	4,230,393	3,290	5,574,308	82	183,949
Principal guaranteed WMPs	1	56,854	-	574	1	57,428	-	-
Non-principal guaranteed WMPs	2,390	1,471,010	981	4,229,819	3,289	5,516,880	82	183,949
CCB Wealth Management	551	696,984	829	5,110,426	410	3,619,080	970	2,188,330
Total	2,942	2,224,848	1,810	9,340,819	3,700	9,193,388	1,052	2,372,279

The assets in which the Group's WMPs invested directly and indirectly as at the dates indicated are as follows.

(In millions of RMB, except percentages)	As at 31 December 2021						As at 31 December 2020					
	The Bank		CCB Wealth Management		The Group		The Bank		CCB Wealth Management		The Group	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
Cash, deposits and interbank negotiable certificates of deposit	80,643	39.11	786,897	34.35	867,540	34.74	393,298	24.02	258,541	33.31	651,839	27.01
Debt securities	43,595	21.14	1,222,780	53.38	1,266,375	50.72	688,972	42.08	392,514	50.57	1,081,486	44.81
Non-standardised debt assets	26,138	12.68	132,312	5.78	158,450	6.35	358,187	21.88	82,494	10.63	440,681	18.26
Equity investments	55,804	27.07	15,081	0.66	70,885	2.84	67,515	4.12	18,120	2.33	85,635	3.55
Other assets	-	-	133,720	5.84	133,720	5.36	129,292	7.90	24,478	3.15	153,770	6.37
Total	206,180	100.00	2,290,790	100.00	2,496,970	100.00	1,637,264	100.00	776,147	100.00	2,413,411	100.00

Investment banking business

The Bank continued to optimise the platform ecology and integrate products and processes in the financial advisory business, with its market share increasing continuously. It optimised the structure of bond underwriting business and underwrote a total of 878 batches of bond financing instruments for enterprises with an aggregate financing amount of RMB518.3 billion. It focused on serving the national key strategies, and innovatively undertook the first batch of carbon neutral bond in the market, sustainable development linked bond, rural revitalisation bond, high growth bond, equity contribution bond, and real estate merger and acquisition notes. It continued to improve asset creation and supply and attracted 5,066 new customers to the investor alliance platform. The Bank also increased efforts in investment research and empowerment at group level for 32 industries across five major sectors, including macroeconomics, financial markets, international overview, hot topics, and industry research. At the end of 2021, the Bank had more than 87,000 investment banking customers and its customer access capability improved fundamentally. The Bank steadily improved its ability in serving the real economy, providing RMB1.7 trillion direct financing for enterprises.

Securitisation business

Taking into account factors such as market demand, regulatory requirements, and internal management needs, the Bank dynamically arranged the strategy and plan for securitisation issuance. In 2021, the Bank issued 27 batches of normal assets-backed securities, totalling RMB223,052 million, which included ten batches of trust beneficial right transfer products of Jianrong corporate loans credit assets, amounting to RMB39,571 million; two batches of Jianpu inclusive finance loan assets-backed securities, amounting to RMB14,983 million; 15 batches of Jianyuan residential mortgages-backed securities, amounting to RMB168,498 million. It issued ten batches of non-performing loan assets-backed securities, totalling RMB6,829 million, which included six batches of non-performing loan assets-backed securities backed by non-performing residential mortgages and non-performing personal consumer loans, with a principal of RMB10,349 million and an issuance size of RMB5,295 million. It issued three batches of non-performing credit card assets-backed securities, with a principal of RMB7,423 million and an issuance size of RMB1,303 million; and one batch of non-performing unsecured small and micro business assets-backed securities invested by non-performing quick loan assets, with a principal of RMB1,689 million and an issuance size of RMB231 million.

Financial institutional business

The Bank continued to advance the construction of the interbank cooperation platform, focusing on setting up scenarios such as risk co-governance, interbank finance, smart sharing, and technology empowerment. It actively assisted small and medium-sized financial institutions in capability improvement, governance enhancement, application expansion, and gradually explored new business models for competition and cooperation in the digital age. By the end of 2021, the interbank cooperation platform had attracted 2,916 contracted customers, provided 1,027 financial institutions with the service of “Hui” series risk tools with a cumulative query volume of 58 million, and the transaction volume of the platform had reached RMB579 billion. The Bank performed overall management of online and offline channels to provide convenient, efficient and diversified products and services for cooperative security companies and investors, and outperformed peers with its third-party security custody services in terms of the number of customers and the amount of funds. The Bank signed cooperation agreements with several key financial institution customers and cooperated with several national joint-stock commercial banks, leading city commercial banks, and rural commercial banks in e-CNY. It won multiple awards such as “Leading Institution in Bond Market”, “Excellent Financial Bond Issuer”, “Excellent ABS Originator” and “Excellent Bond Underwriter” from China Central Depository & Clearing Co., Ltd., and “Excellent Clearing Member”, “Excellent Settlement Member”, and “Excellent Proprietary Foreign Exchange Clearing Award” from Shanghai Clearing House in 2021. At the end of 2021, the Bank’s amounts due to other domestic financial institutions (including insurance companies’ deposits) were RMB1.80 trillion, a decrease of RMB12,131 million from 2020. The Bank’s assets placed with other domestic financial institutions were RMB308,584 million, a decrease of RMB415,899 million from 2020.

4.2.5 OVERSEAS COMMERCIAL BANKING BUSINESS

The Group steadily expanded its overseas business and its network of institutions to enhance globalised customer service capability and international competitiveness. By the end of 2021, the Group had established overseas commercial banking institutions in 30 countries and regions. The Group had wholly-owned operating subsidiaries including CCB Asia, CCB London, CCB Russia, CCB Europe, CCB New Zealand, CCB Brasil and CCB Malaysia, and held 60% of equity in CCB Indonesia. Net profit of overseas commercial banking institutions of the Group in 2021 was RMB7,524 million, an increase of 29.28% over 2020.

CCB Asia

China Construction Bank (Asia) Corporation Limited is a licensed bank registered in Hong Kong with an issued and fully paid capital of HK\$6,511 million and RMB17,600 million.

CCB Asia holds a banking license to engage in multiple lines of business, with its core base in Hong Kong and a wide reach that spreads to Macau, the mainland of China and Southeast Asia. The targeted customers of its wholesale business include local Blue-Chip and large Red-Chip companies, large Chinese conglomerates and multinational corporations, while it also provides quality financial services to premium local customers. CCB Asia has traditional advantages in providing professional financial services such as overseas syndicated loans and structured finance and has rich experience in corporate financial services in international settlement, trade finance, financial market trading, large structured deposits and financial advisory service. CCB Asia is the Group's service platform for retail and small and medium-sized enterprises in Hong Kong, and has 33 branches and outlets. At the end of 2021, total assets of CCB Asia amounted to RMB391,727 million, and shareholders' equity was RMB65,058 million. Net profit in 2021 was RMB2,768 million.

CCB London

China Construction Bank (London) Limited, a wholly-owned subsidiary of the Bank, was established in the UK in 2009, with a registered capital of US\$200 million and RMB1.5 billion.

In order to better respond to changes in the external market environment and meet the needs of internal operation and management, the Group gradually promoted the business integration of its London institutions. CCB London's application for termination of business has been approved by domestic and overseas regulators, and the follow-up work has been advancing. At the end of 2021, total assets of CCB London amounted to RMB3,370 million, and shareholders' equity was RMB3,370 million. Net profit in 2021 was RMB917,600.

CCB Russia

China Construction Bank (Russia) Limited, established in Russia in 2013, is a wholly-owned subsidiary of the Bank, with a registered capital of RUB4.2 billion. CCB Russia holds a comprehensive banking license, a precious metal business license and a security market participant license issued by the Central Bank of Russia.

CCB Russia is mainly engaged in corporate deposits and loans, international settlement and trade finance, financial market trading, financial institutional business, etc. At the end of 2021, total assets of CCB Russia amounted to RMB1,705 million, and shareholders' equity was RMB558 million. Net profit in 2021 was RMB1,706,100.

CCB Europe

China Construction Bank (Europe) S.A., established in Luxembourg in 2013, is a wholly-owned subsidiary of the Bank, with a registered capital of EUR550 million. Based in Luxembourg, CCB Europe has established branches in Paris, Amsterdam, Barcelona, Milan, Warsaw and Hungary.

CCB Europe mainly provides services to large and medium-sized enterprises in Europe as well as European multinational enterprises in China. It is mainly engaged in corporate deposits and loans, international settlement, trade finance, and cross-border trading. At the end of 2021, total assets of CCB Europe amounted to RMB19,530 million, and shareholders' equity was RMB3,736 million. Net losses in 2021 were RMB83 million.

CCB New Zealand

China Construction Bank (New Zealand) Limited, a wholly-owned subsidiary of the Bank, was established in New Zealand in 2014, with a registered capital of NZD199 million.

CCB New Zealand holds wholesale and retail business license, and offers all-round and high-quality financial services, including corporate loans, trade finance, RMB clearing and cross-border trading. At the end of 2021, total assets of CCB New Zealand amounted to RMB10,999 million, and shareholders' equity was RMB1,142 million. Net profit in 2021 was RMB101 million.

CCB Brasil

China Construction Bank (Brasil) Banco Múltiplo S/A is a wholly-owned subsidiary acquired by the Bank in Brasil in 2014. The name of its predecessor, Banco Industrial e Comercial S.A., was changed to the present one in 2015.

CCB Brasil provides banking services, including corporate loans, trading and personal lending, as well as non-banking financial services such as leasing. CCB Brasil has eight domestic branches and sub-branches in Brasil, one Cayman branch, and eight subsidiaries. The subsidiaries provide personal loans, credit cards, leasing, factoring and other services. At the end of 2021, total assets of CCB Brasil amounted to RMB22,026 million, and shareholders' equity was RMB1,198 million. Net losses in 2021 were RMB87 million.

CCB Malaysia

China Construction Bank (Malaysia) Berhad, a wholly-owned subsidiary of the Bank, was established in Malaysia in 2016, with a registered capital of MYR822.6 million.

As a licensed commercial bank, CCB Malaysia provides various financial services, including global credit granting, trade finance, supply chain finance, clearing in multiple currencies, and cross-border fund transactions for key projects under the Belt and Road Initiative, enterprises engaging in Sino-Malaysian bilateral trade, and large local infrastructure projects in Malaysia. At the end of 2021, total assets of CCB Malaysia amounted to RMB7,605 million, and shareholders' equity was RMB1,400 million. Net profit in 2021 was RMB85 million.

CCB Indonesia

PT Bank China Construction Bank Indonesia Tbk is a fully licensed commercial bank listed on the Indonesia Stock Exchange, with a registered capital of IDR3.79 trillion. CCB Indonesia is headquartered in Jakarta and has 82 branches and sub-branches in Indonesia. The Bank completed the acquisition of 60% equity in PT Bank Windu Kentjana International Tbk in September 2016 and renamed it PT Bank China Construction Bank Indonesia Tbk in February 2017.

CCB Indonesia is committed to promoting the bilateral investment and trade between China and Indonesia, including providing major support to the Belt and Road Initiative and service to local Blue-Chip companies in Indonesia, and its business priorities include corporate business, small and medium-sized enterprise business, trade finance and infrastructure finance. At the end of 2021, total assets of CCB Indonesia amounted to RMB11,674 million, and shareholders' equity was RMB2,714 million. Net profit in 2021 was RMB36 million.

4.2.6 INTEGRATED OPERATION SUBSIDIARIES

The Group has multiple domestic and overseas subsidiaries, including CCB Principal Asset Management, CCB Financial Leasing, CCB Trust, CCB Life, Sino-German Bausparkasse, CCB Futures, CCB Pension, CCB Property & Casualty, CCB Investment, CCB Wealth Management and CCB International. In 2021, the overall development of integrated operation subsidiaries was robust with steady business growth. At the end of 2021, total assets of integrated operation subsidiaries amounted to RMB778,614 million. Net profit reached RMB12,186 million in 2021.

CCB Principal Asset Management

CCB Principal Asset Management Co., Ltd. was established in 2005, with a registered capital of RMB200 million, to which the Bank, Principal Financial Services, Inc. and China Huadian Capital Holdings Company Limited contribute 65%, 25% and 10%, respectively. It is engaged in the raising and selling of funds, and asset management.

CCB Principal Asset Management made full efforts to promote the development of various businesses, maintained safe and steady operation, and achieved good business performance. At the end of 2021, total assets managed by CCB Principal Asset Management were RMB1.36 trillion. Specifically, mutual funds were RMB676,600 million; separately managed accounts were RMB433,622 million, and assets managed by its subsidiary CCB Principal Capital Management Co., Ltd. reached RMB250,607 million. At the end of 2021, total assets of CCB Principal Asset Management were RMB9,629 million, and shareholders' equity was RMB7,863 million. Net profit in 2021 was RMB1,155 million.

CCB Financial Leasing

CCB Financial Leasing Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2007 with a registered capital of RMB11 billion. It is mainly engaged in finance leasing, transfer and purchase of finance lease assets, fixed-income securities investment, etc.

CCB Financial Leasing leveraged its license advantages and refocused on the origin business priority of leasing. It continued to promote green leasing, inclusive leasing and digital transformation to improve the quality and efficiency of serving the real economy; and took multiple measures to prevent and mitigate existing risks and maintained a high asset quality in the industry. At the end of 2021, total assets of CCB Financial Leasing were RMB133,845 million, and shareholders' equity was RMB22,334 million. Net profit in 2021 was RMB1,785 million.

CCB Trust

CCB Trust Co., Ltd. is a trust subsidiary invested and controlled by the Bank in 2009 with a registered capital of RMB10.5 billion. The Bank and Hefei Xingtai Financial Holding (Group) Co., Ltd. hold 67% and 33% of its shares, respectively. It is mainly engaged in trust business, investment banking and proprietary business.

CCB Trust stepped up efforts in improving compliance in its operations, actively engaged in innovation-driven development, and delivered good operating results. At the end of 2021, trust assets under management amounted to RMB1,697,729 million. Total assets of CCB Trust were RMB48,548 million, and shareholders' equity was RMB24,696 million. Net profit in 2021 was RMB2,427 million.

CCB Life

CCB Life Insurance Co., Ltd. is a life insurance subsidiary invested and controlled by the Bank in 2011 with a registered capital of RMB7.12 billion. The Bank, China Life Insurance Co., Ltd. (Taiwan), the National Council for Social Security Fund, Shanghai Jin Jiang International Investment and Management Company Limited, Shanghai China-Sunlight Investment Co., Ltd., and China Jianyin Investment Limited hold 51%, 19.9%, 16.14%, 4.9%, 4.85% and 3.21% of its shares, respectively. It is mainly engaged in personal insurance such as life, health, accidental injury insurance and reinsurance of the above-mentioned offerings.

CCB Life pressed ahead with its business transformation and its financial results continued to improve. At the end of 2021, total assets of CCB Life were RMB271,482 million, and shareholders' equity was RMB22,515 million. Net profit in 2021 was RMB1,188 million. According to the requirements of accounting standard, CCB Life did not implement the new financial instruments standard in 2021.

Sino-German Bausparkasse

Sino-German Bausparkasse Co., Ltd. was established in 2004 with a registered capital of RMB2 billion. The Bank and Bausparkasse Schwaebisch Hall AG hold 75.10% and 24.90% of its shares, respectively. As a specialised commercial bank committed to serving the housing finance sector, Sino-German Bausparkasse is engaged in bauspar deposits, bauspar-related loans, other individual housing loans, and development loans to special projects supported by government policy.

Sino-German Bausparkasse achieved steady business development, and the sales of housing savings products amounted to RMB41,465 million in 2021. At the end of 2021, total assets of Sino-German Bausparkasse were RMB31,229 million, and shareholders' equity was RMB2,901 million. Net profit in 2021 was RMB90 million.

CCB Futures

CCB Futures Co., Ltd. is a futures subsidiary invested and controlled by the Bank in 2014 with a registered capital of RMB936 million. CCB Trust and Shanghai Liangyou (Group) Co., Ltd. hold 80% and 20% of its shares, respectively. It is mainly engaged in commodity futures brokerage, financial futures brokerage, asset management and futures investment advisory business. CCB Trading Company Limited, a wholly-owned subsidiary of CCB Futures, is engaged in pilot risk management operations approved by the CSRC, such as warehouse receipt service and pricing service, and general trade business.

CCB Futures gave full play to its professional strength, strengthened its ability to serve the real economy and maintained steady improvement in all business lines. At the end of 2021, total assets of CCB Futures were RMB18,284 million, and shareholders' equity was RMB1,152 million. Net profit in 2021 was RMB80 million.

CCB Pension

CCB Pension Management Co., Ltd. was established in 2015 with a registered capital of RMB2.3 billion. The Bank and the National Council for Social Security Fund hold 85% and 15% of its shares, respectively. It is mainly engaged in investment and management of national social security funds, businesses related to management of enterprise annuity funds, entrusted management of pension funds, and pension advisory service for the above-mentioned asset management activities.

CCB Pension intensified its efforts in pension finance, supported the development of pension business, strengthened the construction of the "Three Major Systems" of investment management, customer service, risk management and internal control, and further advanced the planning and implementation of the FinTech "Ginkgo Project", achieving stable and high-quality development of various businesses. At the end of 2021, assets under management amounted to RMB528,972 million. Total assets of CCB Pension were RMB3,817 million, and shareholders' equity was RMB2,878 million. Net profit in 2021 was RMB316 million.

CCB Property & Casualty

CCB Property & Casualty Insurance Co., Ltd. was established in 2016 with a registered capital of RMB1 billion. CCB Life, Ningxia Communications Investment Group Co., Ltd. and Yinchuan Tonglian Capital Investment Operation Co., Ltd. hold 90.2%, 4.9% and 4.9% of its shares, respectively. It is mainly engaged in motor vehicle insurance, insurance for business and household property, construction and engineering, liability insurance, hull and cargo insurance, short-term health and accidental injury insurance, and reinsurance of the above-mentioned offerings.

CCB Property & Casualty witnessed a steady business development. At the end of 2021, total assets of CCB Property & Casualty were RMB1,304 million, and shareholders' equity was RMB486 million. Net profit in 2021 was RMB1 million.

CCB Investment

CCB Financial Assets Investment Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2017, with a registered capital of RMB27 billion. It is mainly engaged in debt-for-equity swaps and relevant supporting businesses.

CCB Investment adopted a market-oriented approach and made active efforts to explore opportunities with business innovations. By the end of 2021, it had realised a total contractual amount of RMB937,084 million in terms of framework agreements, and an actual investment amount of RMB382,269 million. At the end of 2021, total assets of CCB Investment were RMB140,178 million, and shareholders' equity was RMB31,712 million. Net profit in 2021 was RMB3,613 million.

CCB Wealth Management

CCB Wealth Management Co., Ltd., a wholly-owned subsidiary of the Bank, was established in 2019, with a registered capital of RMB15 billion. It is mainly engaged in the offering of WMPs, investment services of entrusted properties, and wealth management advisory and consulting services to the customers. In 2021, CCB Wealth Management, BlackRock and Temasek jointly established BlackRock CCB Wealth Management Co., Ltd. with a registered capital of RMB1 billion. BlackRock, CCB Wealth Management and Temasek hold 50.1%, 40% and 9.9% of its shares, respectively, which further enriches the supply of WMPs in the financial market and enhance the exchange of international advanced experience and technology.

CCB Wealth Management persisted in serving the real economy, actively participated in the development of capital market, and continuously improved its proactive management capability on the basis of sound and compliant operations. At the end of 2021, total assets of CCB Wealth Management were RMB18,530 million, and shareholder's equity was RMB17,447 million. The size of WMPs amounted to RMB2,188,330 million. Net profit in 2021 was RMB2,062 million.

CCB International

CCB International (Holdings) Limited, established in 2004 with a registered capital of US\$601 million, is one of the Bank's wholly-owned subsidiaries in Hong Kong. It offers through its subsidiaries investment banking related services, including sponsoring and underwriting of public offerings, corporate merger and acquisition and restructuring, direct investment, asset management, securities brokerage and market research.

CCB International maintained stable development in all business lines by continuing to focus on the trend of China concept stocks seeking listings on A-share or H-share market, supporting the development of national strategies and providing innovative services to the real economy. It led the industry in areas of acting as securities sponsor and underwriter as well as M&A financial advisor. At the end of 2021, total assets of CCB International were RMB85,003 million, and shareholders' equity was RMB14,271 million. Net profit in 2021 was RMB679 million.

4.2.7 ANALYSED BY GEOGRAPHICAL SEGMENT

The Group actively implemented national strategies and advanced the coordinated development of different regions. For the three key areas of Beijing-Tianjin-Hebei, Yangtze River Delta, and Guangdong-Hong Kong-Macao Greater Bay Area, it strengthened resource allocation, enhanced the comprehensive contribution of business development in these areas, and advanced business development in areas with regional advantages such as Xiong'an New Area, Guangdong-Macao In-depth Cooperation Zone in Hengqin, Central China in a New Era and Xinjiang.

The following table sets forth, for the periods indicated, the distribution of the Group's profit before tax by geographical segment.

(In millions of RMB, except percentages)	2021		2020	
	Amount	% of total	Amount	% of total
Yangtze River Delta	60,469	15.98	57,613	17.12
Pearl River Delta	59,231	15.65	53,160	15.79
Bohai Rim	64,594	17.07	49,667	14.75
Central	64,115	16.94	41,982	12.47
Western	59,008	15.59	55,709	16.55
Northeastern	3,806	1.01	4,365	1.30
Head Office	68,394	18.08	74,704	22.19
Overseas	(1,205)	(0.32)	(584)	(0.17)
Profit before tax	378,412	100.00	336,616	100.00

The following table sets forth, as at the dates indicated, the distribution of the Group's assets by geographical segment.

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Yangtze River Delta	5,445,665	13.82	4,874,094	13.05
Pearl River Delta	4,291,896	10.89	3,942,366	10.55
Bohai Rim	6,960,553	17.66	6,671,861	17.86
Central	4,808,874	12.20	4,423,501	11.84
Western	4,272,993	10.84	3,985,433	10.67
Northeastern	1,530,966	3.89	1,451,185	3.88
Head Office	10,691,168	27.13	10,577,145	28.31
Overseas	1,408,594	3.57	1,434,781	3.84
Total assets¹	39,410,709	100.00	37,360,366	100.00

1. Total assets exclude elimination and deferred tax assets.

The following table sets forth, as at the dates indicated, the distribution of the Group's loans and NPLs by geographical segment.

(In millions of RMB, except percentages)	As at 31 December 2021				As at 31 December 2020			
	Gross loans and advances	% of total	NPLs	NPL ratio (%)	Gross loans and advances	% of total	NPLs	NPL ratio (%)
Yangtze River Delta	3,492,555	18.61	32,286	0.92	3,003,466	17.93	32,932	1.10
Pearl River Delta	3,137,528	16.72	37,532	1.20	2,770,718	16.55	38,323	1.38
Bohai Rim	3,158,558	16.83	41,805	1.32	2,819,557	16.84	43,467	1.54
Central	3,460,768	18.44	70,428	2.04	3,084,244	18.42	65,990	2.14
Western	3,070,704	16.37	36,527	1.19	2,741,336	16.37	39,218	1.43
Northeastern	805,241	4.29	30,672	3.81	766,232	4.57	22,581	2.95
Head Office	900,573	4.80	12,046	1.34	830,609	4.96	11,772	1.42
Overseas	738,219	3.94	4,775	0.65	729,606	4.36	6,446	0.88
Gross loans and advances excluding accrued interest	18,764,146	100.00	266,071	1.42	16,745,768	100.00	260,729	1.56

The following table sets forth, as at the dates indicated, the distribution of the Group's deposits by geographical segment.

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020	
	Amount	% of total	Amount	% of total
Yangtze River Delta	4,057,991	18.13	3,648,098	17.70
Pearl River Delta	3,518,912	15.73	3,213,868	15.59
Bohai Rim	4,192,162	18.73	3,875,480	18.80
Central	4,368,977	19.52	4,018,270	19.49
Western	4,012,622	17.93	3,741,594	18.15
Northeastern	1,473,206	6.58	1,389,559	6.74
Head Office	18,209	0.08	17,164	0.08
Overseas	386,544	1.73	434,595	2.11
Accrued interest	350,191	1.57	276,348	1.34
Total deposits from customers	22,378,814	100.00	20,614,976	100.00

4.3 CAPITAL MANAGEMENT

The Group adhered to a robust and prudent capital management strategy, gave full play to the guiding role of capital, and promoted intensive capital management to continuously enhance the efficiency of capital use. The Group relied both on internal capital accumulation and external capital replenishment, and maintained a capital adequacy level that is constantly above the regulatory requirements and among the highest in the industry.

In 2021, the Group actively served the real economy with capital, supported the development of businesses, maintained a stable growth of core businesses such as loans and bond investments, and advanced continuous optimisation of asset structure. It pressed ahead with the intensive management of capital, explored the potential of capital saving with big data, and reduced the inefficient and less efficient capital occupation. It reasonably promoted capital instrument financing and enhanced its capital strength. It actively followed up on the impact of regulatory policies such as the total loss-absorbing capacity (“TLAC”) of global systemically important banks (“G-SIBs”) and made forward-looking arrangements for compliance.

4.3.1 CAPITAL ADEQUACY RATIOS

Capital adequacy ratios

In accordance with the regulatory requirements, the scope for calculating capital adequacy ratios of the Group includes both the Bank’s domestic and overseas branches and sub-branches, and financial subsidiaries (insurance companies excluded). At the end of 2021, given relevant rules during the parallel period, the Group’s total capital ratio, Tier 1 ratio and Common Equity Tier 1 ratio, which were calculated in accordance with the *Capital Rules for Commercial Banks (Provisional)*, were 17.85%, 14.14% and 13.59% respectively, meeting regulatory requirements. The Group’s total capital ratio increased by 0.79 percentage points, and its Tier 1 ratio and Common Equity Tier 1 ratio decreased by 0.08 and 0.03 percentage points respectively from 2020.

Changes in the Group’s capital adequacy ratios were mainly due to the following factors: Firstly, the internal capital accumulation capacity was enhanced driven by the growth in net profit in 2021 with an amount of RMB211,603 million retained profits after distributing dividends; Secondly, the Group issued a total of RMB145 billion domestic Tier 2 capital bonds in 2021 by means of capital replenishments through external financing with 0.80 percentage points increase in capital adequacy ratio; Thirdly, the Group supported the development of core businesses such as loans and bond investments to serve the real economy with an amount of RMB1.61 trillion or 9.70% increase in risk weighted assets over 2020.

The following table sets forth, as at the dates indicated, the information related to the capital adequacy ratios of the Group and the Bank.

(In millions of RMB, except percentages)	As at 31 December 2021		As at 31 December 2020	
	The Group	The Bank	The Group	The Bank
Common Equity Tier 1 capital after regulatory adjustments	2,475,462	2,309,534	2,261,449	2,105,934
Tier 1 capital after regulatory adjustments	2,575,528	2,389,615	2,361,517	2,191,258
Total capital after regulatory adjustments	3,252,282	3,059,048	2,832,681	2,649,639
Common Equity Tier 1 ratio (%)	13.59	13.61	13.62	13.63
Tier 1 ratio (%)	14.14	14.09	14.22	14.18
Total capital ratio (%)	17.85	18.03	17.06	17.15

Risk-weighted assets

Based on the approval for the Group to implement the advanced capital management method in 2014, the CBIRC approved the Group to expand the implementation scope of the advanced capital management method in April 2020. The Group calculated the capital requirements for financial institution credit exposures and corporate credit risk exposures that meet regulatory requirements with the foundation internal ratings-based approach, the capital requirements for retail credit risk exposures with the internal ratings-based approach, the capital requirements for market risk with the internal models approach, and the capital requirements for operational risk with the standardised approach. Pursuant to the regulatory requirements, the Group calculates capital adequacy ratios with both the advanced approach and other approaches to capital measurement, and complies with the relevant requirements for capital floors.

The following table sets forth the information related to the risk-weighted assets of the Group.

(In millions of RMB)	As at 31 December 2021	As at 31 December 2020
Credit risk-weighted assets	16,834,493	15,274,351
Covered by the internal ratings-based approach	11,587,106	10,638,946
Uncovered by the internal ratings-based approach	5,247,387	4,635,405
Market risk-weighted assets	90,057	120,039
Covered by the internal models approach	55,249	69,610
Uncovered by the internal models approach	34,808	50,429
Operational risk-weighted assets	1,291,343	1,210,201
Additional risk-weighted assets due to the application of capital floors	-	-
Total risk-weighted assets	18,215,893	16,604,591

4.3.2 LEVERAGE RATIO

From the first quarter of 2015, the Group measures the leverage ratio in accordance with *the Measures for the Administration of the Leverage Ratio of Commercial Banks (Revised)*. The leverage ratio refers to the ratio of the net amount of Tier 1 capital to the adjusted balance of on- and off-balance sheet assets. The leverage ratio of commercial banks should be no less than 4%. As at 31 December 2021, the Group's leverage ratio was 8.13%, meeting the regulatory requirements.

The following table sets forth the information related to the Group's leverage ratio.

(In millions of RMB, except percentages)	As at 31 December 2021	As at 30 September 2021	As at 30 June 2021	As at 31 March 2021	As at 31 December 2020
Leverage ratio (%)	8.13	7.96	7.79	7.92	7.99
Tier 1 capital after regulatory adjustments	2,575,528	2,509,963	2,434,940	2,442,723	2,361,517
On and off-balance sheet assets after adjustments	31,670,893	31,514,718	31,263,173	30,826,197	29,548,554

4.4 PROSPECTS

Looking forward to 2022, the COVID-19 pandemic is likely to persist around the world, the developed economies are expected to exit from easing economic policies, and with escalated geopolitical conflicts, the international financial markets may experience more turbulence. The world economic recovery has slowed down, and the International Monetary Fund and the World Bank have lowered their global economic growth forecasts. As a large economy with strong resilience, China still enjoys the unchanged economic fundamentals with long-term sustainability, but its economic development is facing triple pressures of shrinking demand, supply shocks, and weakening expectations.

The banking industry in China will encounter a more complex and severe operating environment, which presents both challenges and opportunities. On the one hand, internationally, banks will see more risks from potential large fluctuations in international financial markets caused by the lingering impact of COVID-19, slowdown of global economic growth, struggling supply chains, high inflation, moves by central banks to raise interest rates and trim balance sheet in advance, as well as disruptions of capital flows in emerging markets. Domestically, commercial banks may encounter more uncertainties and difficulties in operation and management caused by downward pressures on domestic economy, continuous adjustments to economic policies, and stricter regulation. On the other hand, banking business will gain major support as China accelerates its industrial transformation and upgrades, innovation becomes the driving force of development, and the green transformation provides new momentum for development.

In 2022, the Group will persist in pursuing progress while ensuring stability, fully, accurately, and comprehensively implement new development concepts, focus on “Three Major Tasks”, enhance “Three Capabilities”, and further implement “Three Major Strategies”. The Group will continue to deepen the New Finance initiatives, fully implement the “14th Five-Year Plan”, advance the “First Curve” and the “Second Curve” in parallel, accelerate the building of a new development paradigm with high-quality financial services, and create a new picture of high-quality development of the Bank. To this end, firstly, the Group will focus on serving the real economy, facilitate the implementation of major national strategies, support key areas and weak links in the real economy, and improve the Group’s comprehensive financial service capabilities. Secondly, the Group will implement new development concepts and promote strategic expansion and upgrading. For house rental services, it will focus on the construction of a comprehensive house rental service system with financial characteristics. For inclusive finance, it will continue to increase the quantity, expand the coverage, and reduce the cost of financing for small and micro businesses. For FinTech, it will strengthen the overall planning of the enterprise-level business structure and enhance the ability to empower businesses. For rural revitalisation, it will improve the service capacity of “Yunongtong”. For green finance, it will ensure excellent financial services for energy security and low-carbon transformation. Thirdly, the Group will adhere to sustainable development concept, consolidate the foundation of business capabilities, improve the quality and efficiency of liability business development, maintain a reasonable growth in fee-based business income, and upgrade the product supply system. Fourthly, the Group will adopt a digital mindset to innovate traditional business models, coordinate the construction and operation of platforms, strengthen the layered, grouped, and graded operation, advance the establishment of the middle platform system, and improve the management efficiency of the middle and back offices. Fifthly, the Group will anchor value creativity, strengthen risk control and compliance operations, ensure sound asset quality, improve risk governance, focus on key areas and links, strengthen compliance system building, and deepen consumer rights and interests protection and business integration.

5 OTHER INFORMATION

5.1 SECURITIES ISSUANCE AND LISTING

During the reporting period, the Bank did not issue any ordinary shares or convertible bonds.

According to the resolution of the 2020 first extraordinary general meeting of the Bank and upon approvals from the CBIRC and PBC, in August 2021, the Bank issued fixed-rate Tier 2 capital bonds of RMB65 billion with a term of ten years and RMB15 billion with a term of 15 years in the domestic market, and the Bank has a conditional right to redeem the bonds at the end of the fifth year and the tenth year respectively; the coupon rates are 3.45% and 3.80% respectively. In November, the Bank issued fixed-rate Tier 2 capital bonds of RMB35 billion with a term of ten years and RMB10 billion with a term of 15 years in the domestic market, the Bank has a conditional right to redeem the bonds at the end of the fifth year and the tenth year respectively, and the coupon rates are 3.60% and 3.80% respectively. In December, the Bank issued fixed-rate Tier 2 capital bonds of RMB12 billion with a term of ten years and RMB8 billion with a term of 15 years in the domestic market, the Bank has a conditional right to redeem the bonds at the end of the fifth year and the tenth year respectively, and the coupon rates are 3.48% and 3.74% respectively. All proceeds are used to replenish the Bank's Tier 2 capital.

5.2 ISSUANCE, LISTING AND PROFIT DISTRIBUTION OF PREFERENCE SHARES

The Bank had not issued preference shares in the past three years.

According to the resolution and authorisation of the shareholders' general meeting, the meeting of the board of directors of the Bank held on 29 October 2021 considered and approved the dividend distribution plan of domestic preference shares of the Bank. Dividends of preference shares are paid in cash by the Bank to preference shareholders on an annual basis. Dividends not fully distributed to preference shareholders are not accumulated to the next year. After the preference shareholders receive dividends at the agreed dividend rate, they are not entitled to the distribution of any remaining profit with ordinary shareholders.

According to the terms of issuance of domestic preference shares, the Bank distributed dividends of RMB2,850 million (including tax) to the holders of the domestic preference shares. Such dividends were paid in cash on 27 December 2021. Please refer to the announcement published on the websites of the Shanghai Stock Exchange, Hong Kong Stock Exchange and the Bank for information on dividend distribution for preference shares.

Distributions of dividends for preference shares of the Bank in the past three years were as follows.

(In millions of RMB, except percentages)	2021		2020		2019	
	Dividend rate	Dividend distribution (including tax)	Dividend rate	Dividend distribution (including tax)	Dividend rate	Dividend distribution (including tax)
Domestic preference shares	4.75%	2,850	4.75%	2,850	4.75%	2,850
Offshore preference shares ¹	-	-	4.65%	1,030	4.65%	1,112

1. The Bank redeemed its offshore preference shares in December 2020.

5.3 PURCHASE, SALE AND REDEMPTION OF SHARES

During the reporting period, there was no purchase, sale or redemption by the Bank or any of its subsidiaries of the shares of the Bank.

5.4 CORPORATE GOVERNANCE

Based on China's actual conditions, industry practices as well as international best practice, the Bank built a corporate governance mechanism with Chinese characteristics, and improved corporate governance continuously so as to enhance the quality and efficiency of its governance effectively.

The Bank is in strict compliance with the PRC Company Law, Law on Commercial Banks and other laws and regulations, as well as the listing rules of the listing venues. The Bank has complied with the code provisions of the *Corporate Governance Code* and *Corporate Governance Report* as set out in Appendix 14 to the Listing Rules of Hong Kong Stock Exchange, and substantially adopted the recommended best practices therein.

5.5 SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank has adopted a code of practice in relation to securities transactions by directors and supervisors as set out in the Appendix 10 *Model Code for Securities Transactions by Directors of Listed Issuers*, to the Listing Rules of Hong Kong Stock Exchange. All directors and supervisors had complied with the provisions of this code during the year ended 31 December 2021.

5.6 EVENTS AFTER THE REPORTING PERIOD

In January 2022, the Bank completed its overseas issuance of fixed-rate Tier 2 capital bonds of US\$2 billion with a term of ten years, a coupon rate of 2.85% that mature in 2032 and the Bank has a conditional right to redeem the bonds at the end of the fifth year. All proceeds raised are used to replenish the Bank's tier-2 capital.

5.7 DIVIDENDS

In accordance with the resolutions passed at the 2020 annual general meeting, the Bank paid an annual cash dividend for 2020 of RMB0.326 per share (including tax), totalling approximately RMB81,504 million, to all of its shareholders whose names appeared on the register of members after the closing of the stock market on 14 July 2021.

The board of directors proposes a cash dividend for 2021 of RMB0.364 per share (including tax), totalling RMB91,004 million, subject to deliberation and approval of the 2021 annual general meeting. Subject to approval of the annual general meeting, the dividend will be distributed to the shareholders whose names appeared on the register of members of the Bank after the closing of the stock market on 7 July 2022. The expected payment date of A-share annual cash dividend for 2021 is 8 July 2022, and the expected payment date of H-share annual cash dividend is 29 July 2022.

5.8 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The 2021 annual general meeting will be held on 23 June 2022. In order to determine the holders of H-shares who are entitled to attend the annual general meeting, the Bank's register of members will be closed from 24 May 2022 to 23 June 2022 (both days inclusive), during which period no transfer of shares will be effected. In order to attend the 2021 annual general meeting, holders of H-shares must deposit the transfer documents together with the relevant share certificates at the H-Share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at or before 4:30 p.m. on 23 May 2022.

5.9 ANNUAL REPORT AND ANNOUNCEMENT

This results announcement is available on the "HKExnews" website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk), the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Bank (www.ccb.com). The annual reports prepared in accordance with IFRS and PRC GAAP will be published on the above websites in due course.

The Board of Directors

CHINA CONSTRUCTION BANK CORPORATION

29 March 2022

As of the date of this announcement, the executive director of the Bank is Mr. Tian Guoli; the non-executive directors of the Bank are Mr. Xu Jiandong, Mr. Zhang Qi, Mr. Tian Bo, Mr. Xia Yang, Ms. Shao Min and Ms. Liu Fang; and the independent non-executive directors of the Bank are Sir Malcolm Christopher McCarthy, Mr. Kenneth Patrick Chung, Mr. Graeme Wheeler, Mr. Michel Madelain, Mr. William Coen and Mr. Leung Kam Chung, Antony.