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## **Huishang Bank Corporation Limited\***

## **徽商銀行股份有限公司\***

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

**(Stock Code: 3698 and 4608 (Preference Shares))**

### **2020 ANNUAL RESULTS ANNOUNCEMENT**

The board of directors (the “**Board**”) of Huishang Bank Corporation Limited (the “**Bank**”) is pleased to announce the audited results of the Bank and its subsidiaries as at 31 December 2020. This announcement, containing the full text of the 2020 Annual Report of the Bank, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of annual results. The printed version of the Bank’s 2020 Annual Report will be delivered to the holders of H Shares of the Bank and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and of the Bank at [www.hsbank.com.cn](http://www.hsbank.com.cn) in April 2021.

By order of the Board  
**Huishang Bank Corporation Limited\***  
**Wu Xuemin**  
*Chairman*

Hefei, Anhui Province, the PRC  
26 March 2021

*As at the date of this announcement, the Board of the Bank comprises Wu Xuemin and Zhang Renfu as executive Directors; Zhu Yicun, Wu Tian, Yan Chen, Qian Dongsheng, Gao Yang, Wang Wenjin and Zhao Zongren as non-executive Directors; Dai Peikun, Zhou Yana, Liu Zhiqiang, Yin Jianfeng and Huang Aiming as independent non-executive Directors.*

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

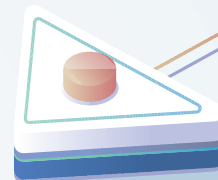
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# 2020 ANNUAL REPORT





## Definitions

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

“Bank” or “Huishang Bank”	Huishang Bank Corporation Limited, including its subsidiaries and branches
“China” or “PRC”	the People’s Republic of China
“CBIRC”	the China Banking and Insurance Regulatory Commission
“CBRC”	the former China Banking Regulatory Commission
“CBIRC Anhui Office”	the China Banking and Insurance Regulatory Commission Anhui Office
“CBRC Anhui Office”	the former China Banking Regulatory Commission Anhui Office
“PBOC”	the People’s Bank of China
“Domestic Shares”	the ordinary shares issued by the Bank in the PRC with a nominal value of RMB1.00 per share
“H Shares”	the ordinary shares issued by the Bank to overseas investors, which are denominated in RMB, subscribed for in Hong Kong Dollars and listed on the Main Board of the Hong Kong Stock Exchange
“Offshore Preference Shares”	44,400,000 non-cumulative perpetual offshore preference shares with a nominal value of RMB100 per share issued by the Bank at the issue price of US\$20 per share and listed on the Hong Kong Stock Exchange to raise US\$888 million
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“H Share Listing”	the listing of H Shares of the Bank on the Main Board of the Hong Kong Stock Exchange on 12 November 2013
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules
“Latest Practicable Date”	the latest practicable date for the purpose of ascertaining certain information contained in this report, i.e. 26 March 2021
“Reporting Period”	year 2020 (1 January 2020 to 31 December 2020)
“Rural Issues”	abbreviation for issues related to agriculture, rural areas and farmers
“Yuan” or “RMB”	Renminbi, the lawful currency of China. Unless otherwise specified herein, the currency used in this report shall be Renminbi
“US\$” or “U.S. Dollars”	U.S. dollars, the lawful currency of the United States
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“IFRS”	International Financial Reporting Standards
“GDP”	Gross Domestic Product
“CPI”	Consumer Price Index
“PPI”	Producer Price Index
“FVTPL”	Fair Value through Profit and Loss
“LPR”	Loan Prime Rate
“MLF”	Medium-term Lending Facility

# Chapter I Corporate Information

## 1.1 CORPORATE INFORMATION

- 1.1.1 Registered Chinese name: 徽商銀行股份有限公司<sup>1</sup>  
Registered English name: Huishang Bank Coporation Limited
- 1.1.2 Legal representative: Wu Xuemin  
Authorized representatives: Wu Xuemin, Ngai Wai Fung  
Secretary to the Board of Directors: Lian Baohua  
Company secretary: Ngai Wai Fung
- 1.1.3 Registered and business office address: Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC
- 1.1.4 Contact address: Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC  
Tel: +86-551-62667729  
Fax: +86-551-62667787  
Postal code: 230001  
Bank's website: www.hsbank.com.cn  
E-mail: djb@hsbank.com.cn
- 1.1.5 Principal place of business in Hong Kong: 40/F, Dah Sing Finance Center, No. 248 Queen's Road East, Wanchai, Hong Kong
- 1.1.6 Domestic auditor: Ernst & Young Hua Ming LLP (Special General Partnership)  
Office address: Room 01-12, Level 17, Ernst & Young Tower, Oriental Plaza, No. 1 East Chang An Avenue, Dongcheng District, Beijing, the PRC  
International auditor: Ernst & Young  
Office address: 22/F, Citic Tower, 1 Tim Mei Avenue, Hong Kong
- 1.1.7 Legal advisor as to PRC law: DeHeng Law Offices  
Legal advisor as to Hong Kong law: Clifford Chance
- 1.1.8 Domestic shares trustee agency: China Securities Depository and Clearing Corporation Limited  
H share registrar: Computershare Hong Kong Investor Services Limited

Note: 1 Huishang Bank Corporation Limited is not an authorized institution within the meaning of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), not subject to the supervision of the Hong Kong Monetary Authority, and not authorized to carry on banking/deposit-taking business in Hong Kong.



## Chapter I Corporate Information

### 1.2 COMPANY PROFILE

Headquartered in Hefei, Anhui Province, Huishang Bank is the first regional joint stock commercial bank in the PRC established through the merger and reorganization of city commercial banks and urban credit cooperatives with the approval of the former CBRC. The Bank was incorporated on 4 April 1997, and changed its name to Huishang Bank Corporation Limited on 30 November 2005. On 28 December 2005, the Bank officially merged with the 5 city commercial banks of Wuhu, Ma'anshan, Anqing, Huaibei and Bengbu and the 7 urban credit cooperatives of Lu'an, Huainan, Tongling, Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda in Anhui Province. The Bank officially opened for business on 1 January 2006. On 12 November 2013, H Shares of the Bank were listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3698). The Bank holds a financial institution license numbered B0162H234010001 from the former CBRC Anhui Office and the unified social credit code numbered 913400001489746613 from the Anhui Provincial Market Supervisory Authority. The registered address is Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, the PRC. As at the end of 2020, the registered capital of the Bank was RMB12,154,801,211. The Bank successfully issued the USD888,000,000 Offshore Preference Shares in November 2016 and such shares were listed on the Hong Kong Stock Exchange (stock code: 4608).

The Bank's principal activities in the PRC include the taking of deposits from corporate and retail customers, the granting of loans using the deposits received, and the conducting of capital business including money market business, investment and trading business and transactions on behalf of customers. As of 31 December 2020, Huishang Bank had 10,688 on-the-job employees. Apart from its headquarter, the Bank has 21 branches, 481 front offices (including 5 business department branch and 476 sub-branches) and 654 self-service areas (points). The Bank also has four subsidiaries, namely Huishang Bank Financial Leasing Co., Ltd., Huishang Bank Wealth Management Co., Ltd., Wuwei Huiyin Rural Bank Co., Ltd. and Jinzhai Huiyin Rural Bank Co., Ltd. and owns equity interest in Chery Huiyin Motor Finance Service Co., Ltd. and Mengshang Bank Co., Ltd.

By maintaining its market position as a bank "serving the local economy, serving small and medium enterprises ("SME(s)") and serving the general public", the Bank has continuously experienced a relatively fast growth in its business development, has gradually strengthened its comprehensive strength, has steadily improved its operational management standards, and has achieved a synergic development of scale, quality and efficiency, thus building up a good social image of the "local bank", the "people's bank" and the "SME bank", and becoming a regional commercial bank that is more well-known and has considerable influence in Anhui Province and even in the banking industry across China. With the full recognition and widespread praise from all sectors of society, the Bank was named one of the top 200 in the "Top 1000 World Banks" by The Banker, a UK magazine, with the ranking at No. 126, 16 places up from that in the last year. It ranked No. 138 in the "Top 500 World Bank Brands", 55 places up from that in the last year. In the "Top 2000 World Enterprises" released by the Forbes, it ranked No. 22 among domestic banks and No. 7 among domestic urban commercial banks.

## Chapter I Corporate Information

### 1.3 AWARDS FOR 2020

In 2020, the Bank won numerous accolades and rewards in contests organized by domestic and international authorities and organizations:

Time	Reward	Awarding Agencies
January	Good News in China Banking Industry	China Banking Association
January	Bank of the Year with Most Brand Influence in Anhui, Bank of the Year with Assistance to SMEs Financing in Anhui	Anhui Business Daily
January	"Top 100 Clearing Companies-Excellent Proprietary Dealer" of 2019, Best Improvement Institute for Local Debt Undertaking Banks of 2019, Excellent Financial Bonds Issuer of 2019, Institute with Improvement in Bond Business of 2019	China Central Depository & Clearing Co., Ltd. (CCDC)
January	2019 Interbank Home Currency Market Top 300, 2019 Core Dealer in Interbank Home Currency Market	China Foreign Exchange Trading System
January	2019 Core Dealer in Interbank Home Currency Market	National Interbank Funding Center
January	Medal for Top 100 Companies of 2020 Hurun New Finance Report	Hurun Report
January	Excellence Award for the Promotion of High-end Cards of China UnionPay of 2019	China UnionPay Co., Ltd.
March	Second Prize for Evaluation on Financial Statistics of Financial Institutes in Anhui Province and Hefei City in 2019, Third Prize for Evaluation on Questionnaires on Bankers in Anhui Province and Hefei City in 2019	PBOC Hefei Central Sub-branch
March	Authentication Certificate GB50174-2008A on Site Infrastructure of Data Center	China Quality Certification Centre
March	Excellent Bank Dealer of 2019	Shanghai Commercial Paper Exchange Corporation Ltd.
April	Company under Direct Provincial Supervision with Outstanding Results in Confidentiality of 2019	Confidentiality Committee Office of CPC Anhui Provincial Committee, Anhui Branch of National Administration of State Secrets Protection
April	Excellent Supervisor on Paper Trading and Excellent Paper Trader of 2019	Shanghai Commercial Paper Exchange Corporation Ltd.
April	First Prize for Provincial Non-tax Revenue Agency Bank of 2019	Anhui Provincial Department of Finance, PBOC Hefei Central Sub-branch
April	An employee was awarded the Advanced Individual in Safety Evaluation on Financial Institutes in Banking Industry	Anhui Provincial Department of Public Security
April	Excellent Trading Prize and Innovative Institute Prize of 2020	2020 Annual Conference of China Securitization & Structured Finance



## Chapter I Corporate Information

Time	Reward	Awarding Agencies
April	Excellent Provincial Company in Safety Evaluation on Financial Institutes in Banking Industry	Security Corps of Anhui Provincial Department of Public Security, Office of CBIRC Anhui Branch
May	First Prize for Provincial Non-tax Revenue Agency Bank of 2019	Anhui Provincial Department of Finance, PBOC Hefei Central Sub-branch
May	Prize for Excellent Company in Operation and Maintenance of Payment System in 2019	PBOC Hefei Central Sub-branch
May	Prize for Contribution to Pandemic Prevention and Production Resumption with Outstanding Performance in RMB Financial Bonds Undertaking in 2019 and Prize for Best Improvement, an employee was awarded the Advanced Individual in Pandemic Prevention and Production Resumption with Outstanding Performance in RMB Financial Bonds Undertaking	The Export-Import Bank of China
May	National May Fourth Red Flag Youth League	Central Committee of the Communist Youth League
June	The first prize of Good News Award in Anhui Banking Industry in 2019	Association of Anhui Bank
June	An employee was awarded May First Labor Medal of Anhui Province	Anhui Federation of Trade Unions
June	Best Direct Sales Bank of www.cebnet.com.cn in 2020, Pioneer Cup for Fighting against Pandemic with Technological Means in FinTech Innovation Contest in China	China Financial Certification Authority
June	Financial Pioneer in Anhui Province	Anhui Working Committee of Chinese Financial Workers' Union
June	Excellent Company in Password Work for Provincial Institutes of 2019	Office of Leading Group On Password Work in Anhui Province
July	Prize for Best Contribution to Targeted Poverty Alleviation	China Banking Association
July	Silver Prize for TopDigital Innovation (Content Marketing)	China Advertising Association
July	The second prize in the FinTech Cup Photography Contest on Most Beautiful Financial Worker, Best Organization Award in 2020	Anhui Internet Finance Association
August	The Customer Service Centre was awarded the prize for "Best Implementation of Intelligent Customer Service Robot Technology in China"	Asian Banker
August	Silver Prize of 11th Tiger Roar-Mobile Bank 5.0 of Huishang Bank & Publicity Plan on Tenth Anniversary	China Advertising Association of Commerce

## Chapter I Corporate Information

Time	Reward	Awarding Agencies
August	"Excellent" Level in Appraisal and Evaluation on Banking Financial Institutes Serving the Development of Local Real Economies	Local Financial Institutes Administration Bureau of Anhui Province
August	2020 Best Development Award for Syndicated Loans Business	China Banking
September	2020 Tianji Prize for Banking Brand Construction	Securities Times
September	Network Safety Knowledge Contest on Financial Institutes in Anhui Province in 2020-Excellent Collective Prize	PBOC Hefei Central Sub-branch
September	The second prize for Technological Development of Banks in 2019 (cloud platform for trading banks based on the Internet distributed structure)	PBOC
September	The third prize for Technological Development of Banks in 2019 ("Credit e-Lending" for big data-driven small enterprises)	PBOC
September	2020 Best Development Award for Syndicated Loans Business	China Banking
September	Sixth batch of water-saving companies among provincial public institutes in Anhui Province	Water Resources Department of Anhui Province, Government Offices Administration of Anhui Province, Office of Water Conservation of Anhui Province
October	Excellent Company in Publicity of "Gambling Prevention & Financial Protection" in 2020	Payment & Clearing Association of China
October	2020 China Jinding Award for Annual Special Contribution to Supporting Local Economic Development	National Business Daily
October	"Silver Prize for Comprehensive Intelligent Platform" in 2020 FinTech Innovation Contest in China	China Financial Certification Authority
October	"Advanced Company for Promotion" in the Contest for RMB1 Million Incentives on Mobile Payment in 2020	National Clearing Center of the People's Bank of China
October	2020 Best Product for Scenario Application	Organizing Committee of the 14th China Payment and Scenario Finance (Banking) Congress
October	"Jinding Award" of 2020 Future Transaction Banking Summit-"Prize for Best Innovation in Transaction Banking Products" and "Best Bank with Cross-border Financial Services"	Organizing Committee of the Future Transaction Banking Summit
October	Major Prize for Advertising in 2020 China International Advertising Festival (Digital Marketing Case of the Year)	China Advertising Association

## Chapter I Corporate Information

Time	Reward	Awarding Agencies
November	Bank of Brand Construction in 2020 in the election of 21st Century Asian Financial Competitiveness	21st Century Media
November	Urban Commercial Bank of the Year in the List of Top Financial Institutes in 2020	The Paper
November	Top 10 Urban Commercial Banks of the Year in the List of Financial Value in 2020 of Yicai	Yicai
November	National Demonstration Company for Integrity Operation in 2020	China Cooperative Trade Enterprises Association, China Enterprise Reform and Development Society
November	Suzhou Branch was awarded the Sixth Session of National Civilized Units	Central Commission for Guiding Spiritual Civilization Construction
November	Wuhu Branch and Lu'an Branch were confirmed to maintain the title of "National Civilized Units" after re-inspections	Central Commission for Guiding Spiritual Civilization Construction
November	Advanced Collective in National Internal Audit in 2017-2019	China Institute of Internal Audit
November	"Best Trading Bank Product Innovation Prize" and "Best Cash Management Bank Award"	West Lake Institute of Treasury and Corporate Finance
November	Championship of the "2nd Group Tennis Invitation for Sister Cities in Yangtze Delta"	Jiangsu Tennis Association
November	Special Prize for Contribution in Risk Prevention of UnionPay Cards	China UnionPay Co., Ltd.
November	Prize for Most Popular Credit Card among Users in the Gold List for Financial Digital Development in 2020	Financial Digital Development Alliance
November	Employer with Most Development Potential	Zhaopin.com and Institute of Social Science Survey of Peking University
December	Best Small and Medium Bank in Supporting Pandemic Prevention of the Year in the Gold Medal List of Chinese Financial Institutes in 2020	Financial News
December	"Third (2020) China Financial Brand Case of the Year Competition-Reputation Management Case of the Year, Popular Brand Case of the Year"	China Financial Publishing House Co., Ltd., Financial Brand Institute of Central University of Finance and Economics, Organizing Committee of China Financial Brand Case of the Year Competition
December	"Fight the Pandemic" in 2020	Sina
December	2019 Excellent Information Company in the Banking Industry in Anhui Province	Association of Anhui Bank
December	Third prize in "Success in Building a Moderately Prosperous Society and I Struggle" themed Recitation Audio and Video Contest on Public Reading in 2020	Publicity Department of CPC Anhui Provincial Committee

## Chapter I Corporate Information

Time	Reward	Awarding Agencies
December	Prize for Best Digital Operation in the Golden List of Electronic Banks in China in 2020	China Financial Certification Authority
December	Prize for Customer Service Center and Remote Bank Comprehensive Capabilities, Prize for Evaluation of Professional Customer Services Capabilities and Prize for Innovation and Application Capabilities of the China Banking Association in 2020	China Banking Association
December	Third prize, nomination prize and organization prize of the 2020 Provincial Internal Audit Theory Seminar	Anhui Institute of Internal Audit
December	"Prize for Outstanding Contributions" in 2020 by City Commercial Banks Clearing Co., Ltd.	City Commercial Banks Clearing Co., Ltd.
December	"No. 1 Bank in the Industry" and "Most Satisfactory Bank by Residents" in the survey on residents' satisfaction towards top ten service industries in 2020	Anhui Center for Provincial Survey
December	Excellent Prize on Bidding in Financial Bonds and Best Improvement Prize in 2020	China Development Bank
December	Prize for Excellent Case in Operation and Management Innovation	City Commercial Banks Clearing Co., Ltd.
December	Best Urban Commercial Bank on Trade and Finance	Organizing Committee of the Annual Conference of China Transaction Banking
December	Golden i Prize for Scenario Financial Innovation Prize and Best Direct Sales Digital Innovation Prize in 2020	i-China Forum 2020 jointly sponsored by China Internet Weekly of Chinese Academy of Sciences, Information Research Center of Chinese Academy of Social Sciences, eNet Academy and Deben Consultancy
December	Best Prize for Open Asset Management Service Platform and Prize for Outstanding Direct Sales Banking Innovation in 2020	Financial Association for 2020 Innovative National Development Forum jointly sponsored by China Internet Weekly of Chinese Academy of Sciences, Information Research Center of Chinese Academy of Social Sciences, eNet Academy and Deben Consultancy
December	Prize for Best Open Banks in 2020	Bicai Data Technology Group
December	Best Customer Service Robot in China	Asian Banker
December	Championship of Group B in 18th Tennis Group Contest in Anhui Province	Anhui Tennis Association
December	Prize for Best Innovation Practice	Safety Zhiniao

## Chapter I Corporate Information

Time	Reward	Awarding Agencies
December	"Best Digital Transformation Driven Study Program of Chinese Enterprises in 2020" (special lectures on fintech)	Overseas Education College of Shanghai Jiaotong University, Organizing Committee of the List of Best Corporate Universities in China
December	Best Ten Innovative Products on Inclusive Finance	China Financial Innovation and Development Forum
December	Prize for Outstanding Contribution in the Promotion of QuickPass payments, an employee was awarded the prize for advanced individuals	China UnionPay
December	Excellent Organization Company in Investor Education and the Publicity of Financial Knowledge in 2020, Excellent Works on "Explanations to Insurance with Cases"	Office of CBIRC Anhui Regulatory Bureau



## Chapter II Summary of Accounting Data and Business Data

### 2.1 MAIN FINANCIAL INFORMATION

Unit: RMB million, except for percentages

			Changes over the corresponding period of last year +/-(-)%
<b>Operational results</b>	<b>2020</b>	2019	
Operating income <sup>(1)</sup>	<b>32,290</b>	31,159	3.63
Profit before tax	<b>12,083</b>	12,301	(1.77)
Net profit attributable to shareholders of the Bank	<b>9,570</b>	9,819	(2.54)

Unit: RMB yuan, except for percentages

			Changes over the corresponding period of last year +/-(-)%
<b>Per ordinary share</b>	<b>2020</b>	2019	
Basic earnings attributable to shareholders of the Bank	<b>0.72</b>	0.78	(7.69)
Diluted earnings attributable to shareholders of the Bank	<b>0.72</b>	0.78	(7.69)
Closing net assets attributable to shareholders of the Bank	<b>6.27</b>	5.86	7.00

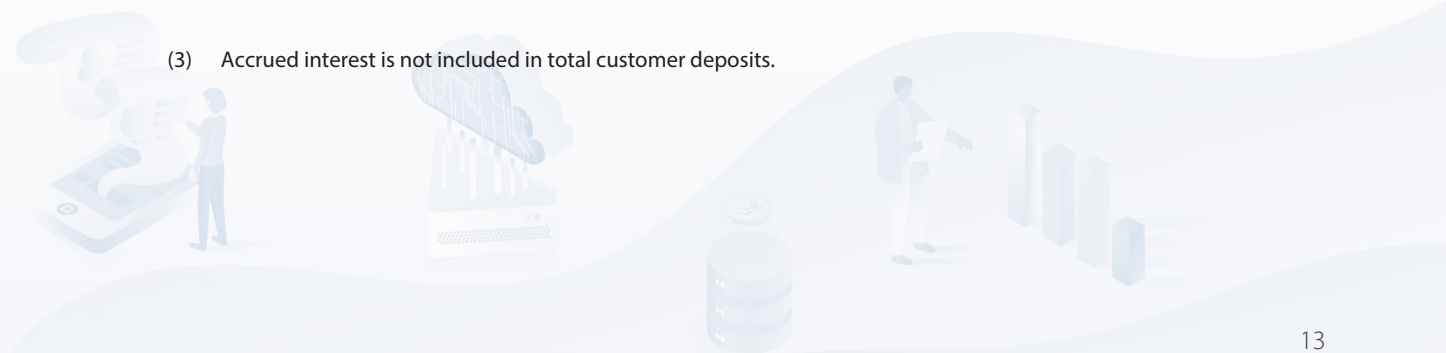
Unit: RMB million, except for percentages

			Changes over the end of last year +/-(-)%
<b>Scale indicators</b>	<b>31 December 2020</b>	31 December 2019	
Total assets	<b>1,271,701</b>	1,131,721	12.37
Including: Total loans and advances to customers <sup>(2)</sup>	<b>572,954</b>	463,985	23.49
Total liabilities	<b>1,166,028</b>	1,042,228	11.88
Including: Total customer deposits <sup>(3)</sup>	<b>712,953</b>	593,834	20.06
Equity attributable to shareholders of the Bank	<b>103,041</b>	87,209	18.15

Notes: (1) Operating income comprises net interest income, net fee and commission income, net trading income, net income from financial investments, dividend income and other operating income, net.

(2) Accrued interest and provision for impairment are not included in total loans and advances to customers.

(3) Accrued interest is not included in total customer deposits.



## Chapter II Summary of Accounting Data and Business Data

### 2.2 FINANCIAL RATIOS

	2020	2019	Unit: % Changes over the corresponding period of last year +/-(-)
<b>Profitability indicators<sup>(1)</sup></b>			
Return on average total assets (ROA)	<b>0.83</b>	0.92	(0.09)
Return on average net assets (ROE)	<b>12.94</b>	14.60	(1.66)
Net interest spread	<b>2.17</b>	2.33	(0.16)
Net interest margin	<b>2.42</b>	2.55	(0.13)

	2020	2019	Unit: % Changes over the corresponding period of last year +/-(-)
<b>Proportion of operating income</b>			
Net interest income	<b>79.75</b>	81.33	(1.58)
Net non-interest income	<b>20.25</b>	18.67	1.58
Cost-to-income ratio (including tax and surcharges) <sup>(2)</sup>	<b>23.71</b>	22.76	0.95

	31 December 2020	31 December 2019	Unit: % Changes over the corresponding period of last year +/-(-)
<b>Asset quality indicators</b>			
Non-performing loan ratio	<b>1.98</b>	1.04	0.94
Allowance to non-performing loan ratio	<b>181.90</b>	303.86	(121.96)
Allowance to loans ratio	<b>3.61</b>	3.15	0.46

	31 December 2020	31 December 2019	Unit: % Changes over the corresponding period of last year +/-(-)
<b>Capital adequacy indicators</b>			
Core Tier I capital adequacy ratio	<b>8.04</b>	8.85	(0.81)
Capital adequacy ratio	<b>12.12</b>	13.21	(1.09)

	31 December 2020	31 December 2019	Unit: % Changes over the corresponding period of last year +/-(-)
<b>Other indicators</b>			
Equity to total assets <sup>(3)</sup>	<b>8.31</b>	7.91	0.4
Gearing ratio <sup>(4)</sup>	<b>91.69</b>	92.09	(0.4)

Notes : (1) The ratios are annualized.

(2) Cost-to-income ratio = Operating expenses/Operating income.

(3) Equity includes minority interests.

(4) Gearing ratio = Total liabilities/Total assets.

## Chapter II Summary of Accounting Data and Business Data

### 2.3 FIVE-YEAR FINANCIAL SUMMARY

	2020	2019	2018	2017	2016
<b>Results for the year (RMB thousand)</b>					
Operating income	<b>32,290,398</b>	31,159,318	26,950,609	22,508,325	20,918,409
Operating expenses	<b>(7,654,324)</b>	(7,091,775)	(6,204,914)	(5,830,139)	(5,763,036)
Asset impairment loss	<b>(12,196,860)</b>	(11,920,086)	(10,064,367)	(7,202,558)	(6,486,913)
Profit before tax	<b>12,082,696</b>	12,300,817	10,820,905	9,612,764	8,812,525
Net profit attributable to shareholders of the Bank	<b>9,569,720</b>	9,818,780	8,747,031	7,614,884	6,870,472
<b>Per ordinary share (RMB)</b>					
Dividends	<b>0<sup>(1)</sup></b>	0.157	0.056	0.125 <sup>(2)</sup>	0.061
Basic earnings	<b>0.72</b>	0.78	0.69	0.60	0.62
Diluted earnings	<b>0.72</b>	0.78	0.69	0.60	0.62
Closing net assets attributable to shareholders of the Bank	<b>6.27</b>	5.86	5.12	4.68	4.15
<b>At year end (RMB thousand)</b>					
Paid-in capital stock (share capital) <sup>(3)</sup>	<b>13,889,801</b>	12,154,801	12,154,801	11,049,819	11,049,819
Total equity attributable to shareholders of the Bank	<b>103,041,067</b>	87,208,997	68,212,525	57,703,305	51,871,401
Total liabilities	<b>1,166,028,059</b>	1,042,227,609	980,228,850	848,887,611	701,590,676
Customer deposits <sup>(4)</sup>	<b>726,742,778</b>	603,454,819	573,798,311	512,808,182	462,014,409
Total assets	<b>1,271,700,698</b>	1,131,721,238	1,050,506,309	908,099,697	754,773,994
Net loans and advances to customers <sup>(5)</sup>	<b>553,399,162</b>	450,419,777	370,661,381	305,208,545	269,336,141
<b>Key financial ratios (%)</b>					
Return on average total assets	<b>0.83</b>	0.92	0.90	0.94	1.01
Return on average net assets	<b>12.94</b>	14.60	15.08	15.56	15.63
Cost-to-income ratio <sup>(6)</sup>	<b>23.71</b>	22.76	23.02	25.90	27.55
Non-performing loan ratio	<b>1.98</b>	1.04	1.04	1.05	1.07
Core tier 1 capital adequacy ratio	<b>8.04</b>	8.85	8.37	8.48	8.79
Capital adequacy ratio	<b>12.12</b>	13.21	11.65	12.19	12.99

Notes: (1) Please refer to Section 6.23 "PROFIT AND DIVIDENDS" in this annual report for details.

(2) According to the 2017 profit distribution plan, the Bank distributed cash dividends of RMB0.25 and 1 bonus share per 10 shares to all shareholders. The bonus share is issued at RMB1.00 each.

(3) For details of share capital of the Bank, please refer to the section 7.1 "Changes in Ordinary Shares of the Bank during the Reporting Period", section 7.6 "Non-public Issuance" of this annual report and note 40 to the financial statements.

(4) Customer deposits data for 2018, 2019 and 2020 includes accrued interest while data before 2018 was not adjusted retrospectively.

(5) Net loans and advances to customers data in 2018, 2019 and 2020 includes interests accrued on loans while data before 2018 was not adjusted retrospectively.

(6) Cost-to-income ratio = Operating expenses/Operating income.



## Chapter III Chairman's Statement

2020 was an unprecedented year. In the face of the sudden COVID-19 pandemic and the catastrophic floods rarely seen in Anhui, our employees united and worked together to tide over difficulties under the leadership of the Board. We implemented the material decisions and arrangements of central and Anhui province governments and focused on the “six key fronts” and the “six key areas”, and support anti-COVID-19 and disaster relief with full devotion by ensuring continuous provision of financial services and providing financial support to affected areas immediately. Fighting in the people's wars against epidemic and floods despite dangers fully demonstrated our sense of responsibility and accountabilities.

2020 was a landmark year. The Bank's third five-year plan had been fully completed and a new five-year plan was under fully setting. During the year, the Bank resolutely implemented the decisions and arrangements made by the central government in the preventing and defusing major risks, and achieved a historic breakthrough in cross-regional development as we had acquired or newly established four new branches in Beijing, Chengdu, Shenzhen and Ningbo, which expanded our business coverage from Yangtze River Delta to a number of economic zones at national level like Beijing-Tianjin-Hebei Region, Guangdong-Hong Kong-Macau area and Chengdu-Chongqing region. During the year, the Bank established its first wealth management subsidiary in the central China and accelerated our pace of building a new pattern for group-oriented and diversified development focusing on banking business and covering various financial fields.

During the past year, we overcame the impact of epidemic and coordinated anti-COVID-19 and disaster relief and business development. We completed the non-public issuance of 1,735 million shares and replenished our core Tier 1 capital by RMB9,894 million, thus improving our shareholding structure continuously. We managed and controlled risks related to quality of acquired assets in a prudent and rational manner, and managed to maintain stable development and achieve the primary goal of seeking steady progress. As at the end of 2020, the Bank recorded total assets of RMB1,271.701 billion (in domestic and foreign currencies), representing an increase of 12.37% as compared with the beginning of the year; total customer deposits of RMB712.953 billion, representing an increase of 20.06%; an increase of 23.49% in total loans and advances to customers to RMB572.954 billion, with increased scale of deposits and loans both exceeding 100 billion; net profit of RMB9,921 million; non-performing loan ratio controlled at 1.98%.

2020 was a commemorative year and marked 15th anniversary of establishment of the Bank. As the first bank established in 2005 through the merger and reorganization of city commercial banks in China, the Bank has been deeply rooted in Anhui Province to serve local economy. With various major operation indicators ranking the first among peers in Anhui Province, we are a veritable local “mainstream bank”. With our H Shares listed on the Main Board of the Hong Kong Stock Exchange to establish our presence in international capital market, we are the first offshore “listed bank” in the central China. With our asset, capital, profit and manpower achieving growth and our asset maintaining a steady scale at trillion, we are a “medium-sized bank” occupying a stable position amongst the first-tier city commercial banks. And with our business coverage expanding from Anhui to Jiangsu and further to Beijing, Sichuan, Guangdong and Zhejiang, we are a “cross-regional bank” that has business establishments in one province and five cities. Currently, taking digital transformation our strategic path, we are reconstructing a business, marketing, operation, management and control model based on digital technologies, striving to become a first-class digital city commercial bank with intelligent, considerate, professional and prompt services.

## Chapter III Chairman's Statement

Due to the challenges and difficulties encountered last year, we cherish the trust and support from public, our investors and customers as well as the diligent contribution from our senior management and staffs more than ever before. On behalf of the Board, I would like to express our sincere gratitude. Last year, due to work adjustment, Mr. He Jiehua resigned as a director and the chairman of the Risk Management Committee under the Board and was elected as the chairman of Board of Supervisors by the Board of Supervisors. On behalf of the Board, I would like to express our sincere gratitude for his contribution.

Amidst the period in which the timeframes of the "Two Centenary Goals" converge, 2021 will be the year the Bank starts a new journey under the new pattern. We will continue to follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era; act on the general principle of pursuing progress while ensuring stability; focus on high-quality development as the main line and strive to build a leading digital city commercial bank; and focus on new pattern, new stage, new concept, new strategies, new abilities while ensuring the accomplishment of key task, aiming to achieve steady development, optimal structure and sound management at higher level and comprehensively build a modern bank with high-quality development, and ultimately to celebrate the 100th anniversary of the founding of the Chinese Communist Party with excellent performance.

**Wu Xuemin**

*Executive Director, Chairman*

## Chapter IV President's Statement

The year of 2020, the 15th anniversary since the corporation of Huishang Bank, marked an exceptional and landmark year in the development of our Bank. During the year, rarely and badly impacted by triple shocks and encountered with the severe flood, the senior management, under the guidance by the party committee, coordinated the prevention and control of the epidemic, financial services, strategic layout and operation management with thoroughly implementing the spirit of the Fifth Plenary Session of the 19th CPC Central Committee and the important speech of President Xi Jinping during his investigation in Anhui. We had completed all business plans and assignments set up by the Board, and the new strategic plan is implemented steadily, which makes a good start.

During the year, we had bravely undertaken our responsibilities and moved forward under heavy burden to practice our original mission by implementing “six stabilities” and “six Guarantees”. With always adhering to our original mission of serving real economy, our Bank steadily recorded a trillion scale with its assets reaching RMB1.2 trillion, while the increased amount of loans and advances to customers were over RMB100 billion, hitting a record high. Our Bank accelerated the prevention and control of the epidemic, the flood-fighting and the resumption of work and production. We actively fulfilled our social responsibility and launched out a new type of emergency loan for the prevention and control of both the epidemic and flood, with total amounts of RMB24.43 billion granted for 192 families; our Bank granted loan refinancing totaling to RMB21.09 billion for the prevention and control of the epidemic and the resumption of work and production, not only providing all-round support for the epidemic prevention and control, but also serving as a “pioneer” and “protector” for the resumption of work and production. Our Bank supported the national strategies and regional economic development. Seizing the opportunity of the integrated development of the Yangtze River Delta, we fulfilled the load granting target of guidance policy finance in areas such as manufacturing, agriculture-related poverty alleviation, green and environmental protection, private small and micro enterprises and technology-based companies, supporting companies in their transformation and upgrading as well as the development of the real economy. Our Bank implemented the policies to reduce fees and share benefits as well as support enterprises in employment stabilisation. We successfully issued financial bonds to small and micro enterprises with amounts of RMB10 billion, and initiatively decreased the pricing level of loans for private small and micro enterprises, manufacturing industry and other real economy fields, with nearly RMB0.2 billion reduced for various businesses for the year. In addition, our Bank supported 23,000 small and micro enterprises and helped nearly 60,000 people employed in forms of credit loans and deferred loans.

During the year, with focusing on our principle business and customer service, we optimised our business structure by maintaining our development direction. Our Bank comprehensively implemented the new development philosophy and deepened the financial supply-side structural reform, so as to continuously improve our own development quality. Our Bank persistently adhered to customer-centric service philosophy. Taking serving customers as the starting point and foothold of operation management, we actively expanded our customer base and focused on the improving our service quality. The number of our corporate clients and private clients amounted to nearly 210,000 and 14 million respectively, representing an increase of 15,600 and 1.911 million as compared with the end of last year. Furthermore, the number of direct bank accounts exceeded 22 million with an increase of 3.513 million. Our customer base turned to be larger and more stable. Our Bank persistently adhered to the concept of “putting deposits in a paramount position of the Bank”. Through taking various measures to spur the growth of core deposits, we focused on broaden the scale of general deposits, with total amounts of client deposits exceeding RMB710 billion, representing an increase of RMB119.1 billion as compared to the end of last year, while deposits from banks and other financial institutions decreased 2.65 percentage points, demonstrating a better structure, a more solid foundation and a stronger stability for deposit business. Our Bank persistently adhered to the concept of balanced and harmonious development. By coordinately promoting the development of both the traditional business and the emerging business, we exerted efforts to develop growth points of business such as investment banks, transaction banks as well as assets management and custody, as a result of which custody fees and agency commissions income increased steadily.

## Chapter IV President's Statement

During the year, we emancipated the mind and kept ready for action, to strengthen the development momentum by accelerating business transformation. With the implementation of the new five-year development strategic plan, we identified the digital transformation as our top priority, and proactively seized the new opportunity for the banking development. Our Bank made business layout and explored other development paths. We established the first bank in the central area and the third wealth management subsidiary of the city commercial bank, which has been officially opened; we invested and established Mengshang Bank Co., Ltd.; four branches were established respectively in Beijing, Shenzhen, Chengdu and Ningbo, and we carried out trans-regional development and diversified our operation to make a trial. Our Bank made achievements in the capital replenishment. Our Bank issued RMB8 billion of tier 2 capital bonds and completed a targeted share issuance of RMB9.894 billion, which helped to maintain a stable and adequate capital level and continuously strengthen our overall service capacity. Our Bank made a new breakthrough in product innovation. We issued the first batch of interbank certificates of deposit specially for the epidemic prevention and control in the inter-bank market, becoming the first bank in Anhui Province to undertake the counter debt business; projects such as Collateralized Loan Obligation and Residential Mortgage Backed Securitization finally landed with an amount exceeding over RMB10 billion; online products such as Credit e-Lending (信e貸), Quick-e-Loan (快e貸) and Online Micro-Lending (微網貸) marked a booming development. Several innovations were the first in the industry or within the province. The technology empowerment reached to a new level. Our Bank successively introduced integrated financial service platforms such as Dealer Platform and Hui Manager (徽管家) which cover various banks and all related accounts. We also invested and launched WeChat banking version 2.0 and personal eBank version 3.0, based on which we gradually promoted the intelligent outlet transformation and continuously improved our customer experience and business efficiency.

During the year, we held on to our bottom line and taken serious management measures, to maintain a steady operation by strengthening risk prevention and control. With the risk prevention and control put in a more important position, we tried our best to overcome the adverse impact from the external environment and undertaking of Baoshang Bank Co., Ltd.'s original assets. Our Bank tried our best to insure the quality of assets, which was served as its lifeline. We made sure that the assets are in good quality, and both reduced old loans and controlled new loans to properly handle the risks from undertaking assets. The non-performing loan ratio in our Bank was 1.98% and provision coverage rate was 181.9%, so the credit risk was controllable as a whole. Our Bank took various measures to maintain the internal control compliance, which was served as its foundation. We always kept the risk awareness in mind acting with extreme cautions, and carried out special campaigns such as "review" on rectification of irregularities by ways of duty performance, financial matters, internal control, auditing, discipline inspection and supervision on risk management, to make sure our business ran steadily. Our Bank persisted in the internal management, which was served as its ballast. Focused on laying a foundation for long-term profits, we continuously promoted the refinement of our management and enhanced the protection system for customers' rights. What's more, our Bank was in the list of the Fifth Quality Award granted by Anhui's government, and achieved "higher ranking" among Top 1,000 Banks, Top 500 Banking Brands and Top 500 of Fortune China.

Looking forward, there are multiple possibilities in the future and it's our opportunity to forge ahead. The year of 2021, the start of the "14th Five-Year Plan" period, is a new beginning, a new journey and a new stage for us. Under the guidance of President Xi's Thought on Socialism with Chinese Characteristics for a New Era, we will uphold the general working guidelines of making improvement while maintaining stability with high-quality development as the main line, in order to be a first-class city commercial bank. We will seize this opportunity and move forward for a new stage. By generally building a modern bank with high-quality development, we will reach a favorable operational result in return to the trust and support from our clients, shareholders and the society, and present a gift with excellent performance for the Party's 100th anniversary!

**Zhang Renfu**  
Executive Director, President

## Chapter V Management Discussion and Analysis

### 5.1 OVERALL BUSINESS REVIEW

In 2020, confronted by the unexpected COVID-19 pandemic and complex and severe operation environment at home and abroad, the Bank implemented consistently its macro control and monetary credit policies, and put regulatory requirements into practice, adhered to “returning to the fundamental purposes and serving the real economy”, effectively supporting pandemic control, realizing steady growth in various business and continuous improvement in operating and management level.

As at the end of 2020, the total assets of the Bank were RMB1,271,701 million, representing an increase of RMB139,980 million or 12.37% as compared with the end of last year. Among them, total loans and advances to customers were RMB572,954 million, representing an increase of RMB108,969 million or 23.49% as compared with the end of last year. Total liabilities were RMB1,166,028 million, representing an increase of RMB123,800 million or 11.88% as compared with the end of last year. Among them, total customer deposits were RMB712,953 million, representing an increase of RMB119,119 million or 20.06% as compared with the end of last year.

In 2020, the Bank realized an operating income of RMB32,290 million, representing an increase of RMB1,131 million, or 3.63%, as compared with the same period last year; net profit was RMB9,921 million, representing a decrease of RMB141 million, or 1.40%, as compared with the same period last year.

As at the end of 2020, the Bank’s non-performing loan balance was RMB11,358 million, representing an increase of RMB6,543 million as compared with the end of last year. Non-performing loan ratio was 1.98%, representing an increase of 0.94 percentage point as compared with the end of last year. Non-performing loan provision coverage ratio was 181.90%, representing a decrease of 121.96 percentage points as compared with the end of last year.

### 5.2 ANALYSIS OF INCOME STATEMENT

#### 5.2.1 Summary of financial performance

In 2020, the Bank realized profit before tax of RMB12,083 million, representing a decrease of RMB218 million or 1.77% as compared with the same period of last year. The effective income tax rate was 17.89%, representing a decrease of 0.31 percentage point as compared with the same period of last year.

	<i>Unit: RMB million</i>	
	2020	2019
Net interest income	25,752	25,341
Net fee and commission income	3,617	3,549
Other net income	2,921	2,269
Operating expenses	7,654	7,092
Impairment losses	12,197	11,920
Net income from investment in associates	(356)	154
Profit before income tax	12,083	12,301
Income tax	2,162	2,239
Net profit	9,921	10,062
Net profit attributable to shareholders of the Bank	9,570	9,819

## Chapter V Management Discussion and Analysis

### 5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

#### 5.2.2 Net interest income

In 2020, the Bank's net interest income amounted to RMB25,752 million, and net interest income from financial instruments at fair value through profit or loss amounted to RMB2,975 million, which totalled RMB28,727 million, representing an increase of RMB1,035 million or 3.74% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB3,867 million in net interest income and changes in interest rates resulted in a decrease of RMB2,832 million in net interest income. In 2020, each of the net interest spread and net interest yield of the Bank was 2.17% and 2.42%, representing a decrease of 16 basic points and 13 basic points, compared with the same period of last year respectively.

The following table sets forth the average balances, interest income and interest expenses, and annualized average yield and cost ratio of the Bank's interest-earning assets and interest-bearing liabilities for the periods indicated.

*Unit: RMB million, except for percentages*

	2020			2019		
	Average Balance <sup>(1)</sup>	Interest Income	Average Yield (%)	Average Balance <sup>(1)</sup>	Interest Income	Average Yield (%)
<b>Interest-earning assets</b>						
Loans and advances to customers	522,952	27,816	5.32	434,033	23,114	5.33
Securities investments	486,160	21,364	4.39	494,330	24,226	4.90
Balances with central bank	73,876	1,065	1.44	72,500	1,068	1.47
Deposits and placements with banks and other financial institutions	57,632	833	1.45	44,213	1,096	2.48
Financial leasing	47,738	3,207	6.72	40,597	2,650	6.53
<b>Total interest-earning assets and interest income (including interest income from FVTPL financial assets)</b>	<b>1,188,358</b>	<b>54,285</b>	<b>4.57</b>	1,085,673	52,154	4.80

Note: (1) Average balance represents the daily average balance.

## Chapter V Management Discussion and Analysis

### 5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

#### 5.2.2 Net interest income (Continued)

Unit: RMB million, except for percentages

Items	2020			2019		
	Average Balance	Interest Expenses	Average Cost Ratio (%)	Average Balance	Interest Expenses	Average Cost Ratio (%)
<b>Interest-bearing liabilities</b>						
Borrowings from central bank	51,113	1,445	2.83	31,336	916	2.92
Customer deposits	657,682	13,249	2.01	581,380	10,593	1.82
Deposits and placements from banks and other financial institutions <sup>(1)</sup>	182,638	5,327	2.92	202,528	6,794	3.35
Debt securities issued	175,171	5,537	3.16	175,565	6,159	3.51
<b>Total interest-bearing liabilities and interest expenses (including interest expenses from FVTPL financial liabilities)</b>	<b>1,066,604</b>	<b>25,558</b>	<b>2.40</b>	<b>990,809</b>	<b>24,462</b>	<b>2.47</b>
<b>Net interest income and net interest income from FVTPL financial instruments</b>	-	<b>28,727</b>	-	-	27,692	-
<b>Net interest spread</b>	-	-	<b>2.17</b>	-	-	2.33
<b>Net interest margin</b>	-	-	<b>2.42</b>	-	-	2.55

Note: (1) Included deposits and placements from banks and other financial institutions of insurance companies.

## Chapter V Management Discussion and Analysis

### 5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

#### 5.2.2 Net interest income (Continued)

The following table sets forth the changes in interest income and expenses of the Bank caused by the changes in scale and interest rates for the period indicated.

*Unit: RMB million*

	2020 vs. 2019		Net increase/ (decrease)
	Scale	Interest rate	
<b>Assets</b>			
Loans and advances to customers	4,735	(33)	4,702
Securities investments	(400)	(2,462)	(2,862)
Balances with central bank	20	(23)	(3)
Deposits and placements with banks and other financial institutions	333	(596)	(263)
Financial leasing	466	91	557
<b>Changes in interest income (including interest income from FVTPL financial assets)</b>	<b>5,154</b>	<b>(3,023)</b>	<b>2,131</b>
<b>Liabilities</b>			
Borrowings from central bank	578	(49)	529
Customer deposits	1,390	1,266	2,656
Deposits and placements from banks and other financial institutions	(667)	(800)	(1,467)
Debt securities issued	(14)	(608)	(622)
<b>Changes in interest expenses (including interest expenses from FVTPL financial liabilities)</b>	<b>1,287</b>	<b>(191)</b>	<b>1,096</b>
<b>Changes in net interest income and net interest income from FVTPL financial instruments</b>	<b>3,867</b>	<b>(2,832)</b>	<b>1,035</b>

Notes: (1) The changes in scale were measured by the changes in average balances; while changes in interest rates were measured by changes in average interest rates. The changes caused by a combination of scale changes and interest rate changes were included in interest rate changes.



## Chapter V Management Discussion and Analysis

### 5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

#### 5.2.3 Interest income

In 2020, the Bank's interest income and interest income from financial assets at fair value through profit or loss recognized in net trading income amounted to RMB54,285 million, representing an increase of 4.09% from last year.

##### ***Interest income from loans and advances***

In 2020, the Bank's interest income from loans and advances to customers amounted to RMB27,816 million, representing an increase of RMB4,702 million or 20.34% as compared with last year, among which expansion of the scale resulted in an increase of RMB4,735 million in interest income from loans and advances to customers and changes in interest rates resulted in a decrease of RMB33 million in interest income from loans and advances to customers.

The following table sets forth the average balances, interest income and annualized average yields on each component of the Bank's loans and advances to customers for the periods indicated.

*Unit: RMB million, except for percentages*

	2020			2019		
	Average Balance	Interest Income	Average Yield (%)	Average Balance	Interest Income	Average Yield (%)
Corporate loans	308,953	15,870	5.14	257,781	13,607	5.28
Retail loans <sup>(1)</sup>	190,668	11,319	5.94	161,314	9,020	5.59
Discounted bills	23,332	627	2.69	14,938	487	3.26
<b>Loans and advances to customers</b>	<b>522,952</b>	<b>27,816</b>	<b>5.32</b>	434,033	23,114	5.33

Note: (1) Retail loans comprise personal business loans and personal consumption loans (including residential mortgage loans).

##### ***Interest income from securities investments***

In 2020, the Bank's interest income from securities investments was RMB21,364 million, representing a decrease of RMB2,862 million or 11.81% as compared with the same period of last year, among which reduction of the scale resulted in a decrease of RMB400 million in interest income from securities investments and changes in interest rates resulted in a decrease of RMB2,462 million in interest income from securities investments.

##### ***Interest income from deposits and placements with banks and other financial institutions***

In 2020, the Bank's interest income from deposits and placements with banks and other financial institutions was RMB833 million, representing a decrease of RMB263 million or 24.00% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB333 million in interest income from deposits and placements with banks and other financial institutions while changes in interest rates resulted in a decrease of RMB596 million in interest income from deposits and placements with banks and other financial institutions.

## Chapter V Management Discussion and Analysis

### 5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

#### 5.2.4 Interest expenses

In 2020, the Bank realized interest expenses and interest expenses from financial liabilities at fair value through profit or loss recognized in net trading income amounted to RMB25,558 million, representing an increase of RMB1,096 million or 4.48% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB1,287 million in interest expenses while changes in interest rates resulted in a decrease of RMB191 million in interest expenses.

#### *Interest expense on customer deposits*

In 2020, the Bank's interest expense on customer deposits was RMB13,249 million, representing an increase of RMB2,656 million or 25.07% as compared with the same period of last year, among which expansion of the scale resulted in an increase of RMB1,390 million in interest expense on customer deposits and changes in interest rates resulted in an increase of RMB1,266 million in interest expense on customer deposits.

The following table sets forth the average balance, interest expenses and annualized average cost ratio of the Bank's corporate deposits and retail deposits for the periods indicated.

*Unit: RMB million, except for percentages*

	2020			2019		
	Average Balance	Interest Expenses	Annualized Average Cost Ratio (%)	Average Balance	Interest Expenses	Annualized Average Cost Ratio (%)
Corporate deposits						
Demand deposits	256,795	2,452	0.95	252,619	2,387	0.94
Time deposits	153,629	4,728	3.08	135,988	4,037	2.97
Sub-total	410,424	7,180	1.75	388,607	6,424	1.65
Retail deposits						
Demand deposits	65,335	442	0.68	59,357	350	0.59
Time deposits	144,451	5,068	3.51	103,526	3,478	3.36
Sub-total	209,786	5,510	2.63	162,883	3,828	2.35
Others <sup>(1)</sup>	37,472	559	1.49	29,890	341	1.14
<b>Total customer deposits</b>	<b>657,682</b>	<b>13,249</b>	<b>2.01</b>	<b>581,380</b>	<b>10,593</b>	<b>1.82</b>

Note: (1) Other deposits include margin deposits and credit card deposits, etc.

#### *Interest expense on deposits and placements with banks and other financial institutions*

In 2020, interest expense on deposits and placements with banks and other financial institutions was RMB5,327 million, representing a decrease of RMB1,467 million or 21.59% as compared with the same period of last year, among which reduction of the scale resulted in a decrease of RMB667 million in interest expense on deposits and placements with banks and other financial institutions while changes in interest rates resulted in a decrease of RMB800 million in interest expense on deposits and placements with banks and other financial institutions.

## Chapter V Management Discussion and Analysis

### 5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

#### 5.2.4 Interest expenses (Continued)

##### *Interest expense on bonds issued*

In 2020, interest expense on bonds issued was RMB5,537 million, representing a decrease of RMB622 million or 10.10% as compared with the same period of last year, among which reduction of the scale resulted in a decrease of RMB14 million in interest expense on bonds issued while changes in interest rates resulted in a decrease of RMB608 million in interest expense on bonds issued.

#### 5.2.5 Net non-interest income

In 2020, the Bank realized a net non-interest income of RMB6,538 million, representing a year-on-year increase of RMB720 million or 12.38%, which was primarily the increase in net trading income.

The following table sets forth the principal components of the Bank's net non-interest income for the periods indicated.

	<i>Unit: RMB million</i>	
	2020	2019
<b>Fee and commission income</b>	<b>3,963</b>	3,862
Settlement fee income	85	82
Guarantee and commitment fee income	243	277
Investment banking fee income	660	732
Custodian service fee income	585	504
Bank card fee income	95	153
Settlement fees	24	20
Agency service fees	1,473	1371
Financial leasing fee income	650	591
Other fee income	148	132
<b>Fee and commission expenses</b>	<b>(346)</b>	(313)
<b>Net fee and commission income</b>	<b>3,617</b>	3,549
<b>Other net non-interest income</b>	<b>2,921</b>	2,269
Net trading income	2,496	2,100
Net income from financial investments	169	85
Dividend income	1	1
Other operating income, net	255	83
<b>Net non-interest income</b>	<b>6,538</b>	5,818

##### *Net fee and commission income*

In 2020, net fee and commission income of the Bank was RMB3,617 million, representing an increase of RMB68 million or 1.92% as compared with the same period of last year, which was primarily attributable to increases in agency service fees and custodian service fee income.

## Chapter V Management Discussion and Analysis

### 5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

#### 5.2.5 Net non-interest income (Continued)

##### **Net trading income**

In 2020, net trading income of the Bank was RMB2,496 million, representing an increase of RMB396 million or 18.86%, which was primarily attributable to the increase in net interest income from financial instruments at fair value through profit or loss.

##### **Net income from financial investments**

In 2020, net income from financial investments of the Bank was RMB169 million, representing an increase of RMB84 million or 98.82%, which was mainly due to the increase in the spread income from debt securities investments at fair value through other comprehensive income.

#### 5.2.6 Operating expenses

In 2020, the Bank's operating expenses were RMB7,654 million, representing an increase of RMB562 million or 7.92% as compared with last year.

The following table sets forth the principal components of the Bank's operating expenses for the periods indicated.

	<i>Unit: RMB million</i>	
	<b>2020</b>	2019
Staff costs	<b>(4,206)</b>	(4,155)
Tax and surcharges	<b>(325)</b>	(273)
Depreciation and amortization	<b>(842)</b>	(731)
Lease expenses	<b>(75)</b>	(56)
Other general and administrative expenses	<b>(2,206)</b>	(1,877)
<b>Total operating expenses</b>	<b>(7,654)</b>	(7,092)

## Chapter V Management Discussion and Analysis

### 5.2 ANALYSIS OF INCOME STATEMENT (CONTINUED)

#### 5.2.7 Asset impairment losses

In 2020, the Bank's allowance for asset impairment losses was RMB12,197 million, representing an increase of RMB277 million or 2.32% as compared with last year. Due to the dual impacts of the pandemic and disasters, certain assets of 17 former branches of the Bank recorded risks and the Bank made full provision for impairment based on the principle of prudence. In addition, the Bank carried out prudent appraisals on the assets of 4 branches acquired and taken over by the Bank outside of Anhui Province and made full provision for assets with declined quality. For details of such 4 branches acquired and taken, please refer to section 6.20 "Asset acquisition, disposal and reorganization" in this annual report. For details of impairment on assets, please refer to financial statements of the Bank.

Items	Unit: RMB million	
	2020	2019
Loans and advances to customers <sup>(1)</sup>	(10,563)	(4,581)
Financial investments	(632)	(5,403)
Deposits with banks and other financial institutions	(110)	(707)
Placements with banks and other financial institutions	8	9
Financial assets held under resale agreements	83	(8)
Credit commitments	57	(72)
Finance lease receivables	(1,278)	(755)
Foreclosed assets	62	(23)
Other assets	176	(380)
<b>Total</b>	<b>(12,197)</b>	<b>(11,920)</b>

Note: (1) Loans and advances to customers comprise loans and advances to customers measured at amortised cost and at fair value through other comprehensive income.

## Chapter V Management Discussion and Analysis

### 5.3 BALANCE SHEET ANALYSIS

#### 5.3.1 Assets

As of 31 December 2020, the Bank's total assets amounted to RMB1,271,701 million, representing an increase of RMB139,979 million or 12.37% as compared with the end of last year. The increase in total assets was primarily due to an increase in loans and advances to customers.

*Unit: RMB million, except for percentages*

Items	31 December 2020		31 December 2019	
	Amount	% of the total	Amount	% of the total
Total loans and advances to customers	<b>572,954</b>	<b>45.05</b>	463,985	41.00
Accrued interest of loans and advances to customers	<b>1,097</b>	<b>0.09</b>	956	0.08
Provision for loan impairment	<b>20,652</b>	<b>1.62</b>	14,521	1.28
Net loans and advances to customers	<b>553,399</b>	<b>43.52</b>	450,420	39.8
Investments	<b>510,527</b>	<b>40.15</b>	477,254	42.17
Cash and balances with the central bank	<b>98,384</b>	<b>7.74</b>	91,971	8.13
Deposits with banks and other financial institutions	<b>11,298</b>	<b>0.89</b>	14,254	1.26
Precious metals	<b>2,397</b>	<b>0.19</b>	–	–
Placements with banks and other financial institutions	<b>5,277</b>	<b>0.41</b>	4,738	0.42
Derivative financial assets	<b>138</b>	<b>0.01</b>	235	0.02
Financial assets held under resale agreements	<b>249</b>	<b>0.02</b>	28,651	2.53
Investments in associates	<b>4,474</b>	<b>0.35</b>	1,242	0.11
Fixed assets	<b>4,638</b>	<b>0.36</b>	2,059	0.18
Right-of-use assets	<b>1,169</b>	<b>0.09</b>	1,058	0.09
Goodwill	<b>14,568</b>	<b>1.15</b>	–	–
Deferred income tax assets	<b>9,727</b>	<b>0.76</b>	8,162	0.72
Finance lease receivables	<b>49,054</b>	<b>3.86</b>	43,949	3.88
Other assets	<b>6,401</b>	<b>0.50</b>	7,727	0.68
<b>Total assets</b>	<b>1,271,701</b>	<b>100.00</b>	1,131,721	100.00

## Chapter V Management Discussion and Analysis

### 5.3 BALANCE SHEET ANALYSIS (CONTINUED)

#### 5.3.1 Assets (Continued)

##### 5.3.1.1 Loans and advances to customers

As of 31 December 2020, the Bank's total loans and advances to customers amounted to RMB572,954 million, representing an increase of 23.49% as compared with the end of last year, and the total loans and advances to customers accounted for 45.05% of the Bank's total assets, increase of 4.05 percentage points from the end of last year.

##### *Distribution of loans by product type*

The following table sets forth information on the Bank's loans and advances to customers by product type as of the dates indicated.

*Unit: RMB million, except for percentages*

Items	31 December 2020		31 December 2019	
	Amount	% of the total	Amount	% of the total
Corporate loans	325,112	56.74	263,783	56.86
Discounted bills	27,759	4.85	21,870	4.71
Retail loans	220,082	38.41	178,332	38.43
Total loans and advances to customers	572,954	100.00	463,985	100.00

##### *Corporate loans*

As of 31 December 2020, the Bank's total corporate loans was RMB325,112 million, representing an increase of 23.25% as compared with the end of last year, and accounting for 56.74% of the total loans and advances to customers of the Bank. In 2020, in view of the macroeconomic environment and regulatory requirements, the Bank reasonably adjusted and controlled its total loan amount, adjusted its loan structure deeply, and systemically prevented various risks, which achieved simultaneous optimization of loan structure and risk return.

##### *Discounted bills*

As of 31 December 2020, the Bank's total discounted bills amounted to RMB27,759 million, representing an increase of 26.92% as compared with the end of last year. In 2020, according to regulatory requirements and changes in bill market, the Bank reasonably developed its discounted bill business to improve the comprehensive return thereof, after thoughtfully considering credit size, market yield, liquidity management and various risks.

## Chapter V Management Discussion and Analysis

### 5.3 BALANCE SHEET ANALYSIS (CONTINUED)

#### 5.3.1 Assets (Continued)

##### 5.3.1.1 Loans and advances to customers (Continued)

###### Retail loans

As of 31 December 2020, the Bank's total retail loans amounted to RMB220,082 million, representing an increase of 23.41% as compared with the end of last year, and accounted for 38.41% of the total loans and advances to customers. Among them, personal residential mortgage loans amounted to RMB112,373 million, representing 51.06% of the total retail loans.

##### 5.3.1.2 Investments

Investments of the Bank consist of listed and non-listed securities denominated in both Renminbi and foreign currencies, including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

In 2020, the market yield of interest rate bonds showed an overall fluctuating trend. Based on the market situation, the Bank chose to increase the investment in interest rate bonds and local government bonds to optimize the investment portfolio structure.

The following table sets forth the components of the investment portfolio of the Bank by accounting classification.

*Unit: RMB million, except for percentages*

Items	31 December 2020		31 December 2019	
	Amount	% of the total	Amount	% of the total
Financial assets at fair value through profit or loss	123,051	24.10	95,225	19.95
Financial assets at fair value through other comprehensive income	120,566	23.62	103,176	21.62
Financial assets at amortised cost	266,910	52.28	278,853	58.43
Investments	510,527	100.00	477,254	100.00

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.





## Chapter V Management Discussion and Analysis

### 5.3 BALANCE SHEET ANALYSIS (CONTINUED)

#### 5.3.1 Assets (Continued)

##### 5.3.1.2 Investments (Continued)

###### *Financial assets at fair value through profit or loss*

The following table sets forth the components of financial assets at fair value through profit or loss of the Bank.

	<b>31 December</b>	31 December
	<b>2020</b>	2019
Government bonds	<b>2,967</b>	1,146
Other bonds	<b>11,710</b>	1,389
Interbank certificates of deposit	<b>884</b>	50
Beneficial rights in asset management and trust plan and others	<b>93,062</b>	70,974
Non-guaranteed wealth management products managed	<b>13,509</b>	20,221
Interest received	<b>919</b>	1,447
<b>Total financial assets at fair value through profit or loss</b>	<b>123,051</b>	95,225

*Unit: RMB million*

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

###### *Financial assets at fair value through other comprehensive income*

The following table sets forth the components of financial assets at fair value through other comprehensive income of the Bank.

	<b>31 December</b>	31 December
	<b>2020</b>	2019
Debt securities	118,548	95,906
Inter-bank certificates of deposits	0	5,511
Equity securities	235	181
Interest accrued	1,783	1,579
<b>Total financial assets at fair value through other comprehensive income</b>	<b>120,566</b>	103,176

*Unit: RMB million*

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

## Chapter V Management Discussion and Analysis

### 5.3 BALANCE SHEET ANALYSIS (CONTINUED)

#### 5.3.1 Assets (Continued)

##### 5.3.1.2 Investments (Continued)

###### Financial assets at amortised cost

The following table sets forth the components of financial assets at amortised cost of the Bank.

	<i>Unit: RMB million</i>	
	<b>31 December 2020</b>	31 December 2019
Debt securities	<b>98,879</b>	75,095
Beneficial rights in asset management and trust plans and others	<b>175,343</b>	210,290
Interest accrued	<b>4,820</b>	4,882
Less: provision for impairment	<b>(12,132)</b>	(11,414)
Net financial assets at amortised cost	<b>266,910</b>	278,853

Note: As the Bank has adopted IFRS 9 – Financial Instruments, the classification and measurement of relevant financial assets are presented in accordance with the requirements of the newly adopted standard.

As of 31 December 2020, net financial assets at amortised cost of the Bank amounted to RMB266,910 million, of which debt securities accounted for RMB98,879 million while beneficial rights in asset management and trust plans and others accounted for RMB175,343 million.

###### Carrying value and market value

All assets classified as financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income were recorded at market value or fair value.

The following table sets forth the carrying value and market value of the financial assets at amortised cost in the Bank's portfolio as of the dates indicated.

	<i>Unit: RMB million</i>			
	<b>31 December 2020</b>		31 December 2019	
	<b>Carrying value</b>	<b>Fair value</b>	Carrying value	Fair value
Financial assets at amortised cost	<b>266,910</b>	<b>267,239</b>	278,853	279,504



## Chapter V Management Discussion and Analysis

### 5.3 BALANCE SHEET ANALYSIS (CONTINUED)

#### 5.3.1 Assets (Continued)

##### 5.3.1.3 Subsidiaries and major investee companies

Name	Initial investment amount (RMB'000)	Percentage of shareholdings (%)	Number of shares held at the end of the period (in thousands of shares)	Carrying value at the end of the period (RMB'000)	Sources of shares held	Remark
Jinzhai Huiyin Rural Bank Co., Ltd. <sup>(1)</sup>	32,800	41	32,800	32,800	Promotion	Subsidiary
Wuwei Huiyin Rural Bank Co., Ltd. <sup>(2)</sup>	40,000	40	40,000	69,513	Promotion	Subsidiary
Huishang Bank Financial Leasing Co., Ltd.	1,020,000	54	1,620,000	1,706,820	Promotion, participation in capital increase	Subsidiary
Huishang Bank Wealth Management Co., Ltd.	2,000,000	100	2,000,000	2,000,000	Promotion	Subsidiary
Chery HuiYin Motor Finance Service Co., Ltd.	100,000	20	300,000	1,383,810	Promotion, participation in capital increase	Company in which the Bank has shareholdings
Mengshang Bank Co., Ltd.	3,600,000	15	3,000,000	3,090,450	Promotion	Company in which the Bank has shareholdings

Notes:

- (1) Due to the changes in the shareholding of Jinzhai Huiyin Rural Bank Co., Ltd. in 2017, its shareholders, Anhui GuoYuan Investment Co., Ltd. (holding 10% equity interests in Jinzhai Huiyin Rural Bank Co., Ltd.) and Zhang Hua'an (holding 10% equity interests in Jinzhai Huiyin Rural Bank Co., Ltd.) have been acting in concert with the Bank. Such shareholders will agree with the Bank when voting on material decisions regarding financial and operating policies of Jinzhai Huiyin Rural Bank Co., Ltd.
- (2) In 2010, the Bank invested in and established Wuwei Huiyin Rural Bank Co., Ltd. Its registered capital was RMB100 million, of which the Bank contributed RMB40 million, accounting for 40% shareholding. Upon the approval from the CBRC, Wuwei Huiyin Rural Bank Co., Ltd. officially opened for business on 8 August 2010. Although the Bank has no absolute controlling interest in Wuwei Huiyin Rural Bank Co., Ltd., after taking into various factors, the company's operating activities since its incorporation indicated that the Bank has a dominant position over operating activities of Wuwei Huiyin Rural Bank Co., Ltd. Therefore, the Bank has de facto control over it. The Bank included Wuwei Huiyin Rural Bank Co., Ltd. in its consolidated financial statements on 31 December 2014.

For further details of subsidiaries and major investee companies, please refer to section 5.9.9 "Subsidiaries and major companies in which the Bank has shareholdings" of this annual report.

## Chapter V Management Discussion and Analysis

### 5.3 BALANCE SHEET ANALYSIS (CONTINUED)

#### 5.3.2 Liabilities

As of 31 December 2020, total liabilities of the Bank amounted to RMB1,166,028 million, representing an increase of 11.88% as compared with the end of last year. Such increase was mainly due to the growth of customer deposits.

*Unit: RMB million, except for percentages*

Items	31 December 2020		31 December 2019	
	Amount	% of the total	Amount	% of the total
Borrowings from central bank	69,583	5.97	40,689	3.90
Deposits from banks and other financial institutions	93,590	8.03	111,336	10.68
Placements from banks and other financial institutions	35,295	3.03	36,303	3.48
Derivative financial liabilities	141	0.01	281	0.03
Financial assets sold under repurchase agreements	40,399	3.46	50,365	4.83
Customer deposits	712,953	61.14	593,834	56.98
Interests payable on customer deposits	13,790	1.18	9,621	0.92
Taxes payable	2,628	0.23	3,223	0.31
Issuance of bonds	180,636	15.49	183,243	17.58
Other liabilities	17,013	1.46	13,334	1.28
<b>Total liabilities</b>	<b>1,166,028</b>	<b>100.00</b>	<b>1,042,228</b>	<b>100.00</b>

#### **Customer deposits**

The Bank has been focusing on and actively expanding its deposit business. In 2020, despite an increasingly intense competition among the peers, the Bank managed to maintain a steady growth of customer deposits through various effective measures. As of 31 December 2020, total customer deposits of the Bank amounted to RMB712,953 million and accounted for 61.14% of total liabilities of the Bank, representing an increase of 4.16 percentage points from the end of 2019.

## Chapter V Management Discussion and Analysis

### 5.3 BALANCE SHEET ANALYSIS (CONTINUED)

#### 5.3.2 Liabilities (Continued)

##### *Customer deposits (Continued)*

The following table sets forth the Bank's customer deposits by product type and customer type as of the dates indicated.

*Unit: RMB million, except for percentages*

Items	31 December 2020		31 December 2019	
	Balance	% of the total	Balance	% of the total
<b>Corporate deposits</b>				
Demand deposits	251,061	35.21	249,096	41.95
Time deposits	188,697	26.47	135,546	22.83
Subtotal	439,758	61.68	384,642	64.77
<b>Retail deposits</b>				
Demand deposits	68,066	9.55	59,252	9.98
Time deposits	167,481	23.49	117,714	19.82
Subtotal	235,547	33.04	176,966	29.80
<b>Other deposits</b>	37,649	5.28	32,226	5.43
Including: Pledged deposits	35,706	5.01	32,007	5.39
<b>Total customer deposits</b>	<b>712,953</b>	<b>100.00</b>	593,834	100.00

#### 5.3.3 Equity

*Unit: RMB million*

Items	31 December 2020	31 December 2019
Share capital <sup>(1)</sup>	13,890	12,155
Other equity instruments	15,990	15,990
Capital reserve	14,919	6,760
Surplus reserve	13,234	11,365
Statutory general reserve	12,296	11,115
Other comprehensive income	950	1,825
Retained earnings	31,763	27,998
<b>Total equity attributable to shareholders of the Bank</b>	<b>103,041</b>	87,209
Non-controlling interest	2,632	2,285
<b>Total equity</b>	<b>105,673</b>	89,494

Note: (1) For details of share capital of the Bank, please refer to the section 7.1 "Changes in Ordinary Shares of the Bank during the Reporting Period", section 7.6 "Non-public Issuance" of this annual report and note 40 to the financial statements.

## Chapter V Management Discussion and Analysis

### 5.4 LOAN QUALITY ANALYSIS

#### 5.4.1 Distribution of loans by the five-category classification

The following table sets forth the distribution of the Bank's loans by the five-category classification as of the dates indicated.

	31 December 2020		31 December 2019	
	Amount	% of the total	Amount	% of the total
	<i>(in RMB100 million, except for percentages)</i>			
Pass	5,547.43	96.81	4,521.74	97.45
Special mention	68.52	1.20	69.96	1.51
Substandard	43.47	0.76	22.30	0.48
Doubtful	13.53	0.24	18.94	0.41
Loss	56.58	0.99	6.91	0.15
Total loans and advances to customers	5,729.54	100.00	4,639.85	100.00
Total non-performing loans	113.58	1.98	48.15	1.04

Under the five-category classification system of the loan supervision, the non-performing loans ("NPLs") of the Bank include loans of substandard, doubtful and loss categories. Affected by changes of the external business environment, the Bank's asset quality faced serious challenges in 2020. By focusing on risk prevention and accelerating disposal treatment, the Bank maintained stable quality of assets. As of the end of the Reporting Period, the NPL ratio of the Bank was 1.98%, representing an increase of 0.94 percentage point from the end of last year.

#### 5.4.2 Distribution of loans and NPLs by product type

The following table sets forth the distribution of loans and NPLs by product type as of the dates indicated.

	31 December 2020				31 December 2019			
	Amount of loans	% of the total	NPLs	NPL ratio (%)	Amount of loans	% of the total	NPLs	NPL ratio (%)
	<i>(in RMB100 million, except for percentages)</i>							
Corporate loans	3,251.12	56.75	98.29	3.02	2,637.83	56.86	38.37	1.45
Discounted bills <sup>(1)</sup>	277.59	4.84	–	0.00	218.70	4.71	–	–
Retail loans	2,200.82	38.41	15.29	0.69	1,783.32	38.43	9.78	0.55
Total loans and advances to customers	5,729.54	100.00	113.58	1.98	4,639.85	100.00	48.15	1.04

Note: (1) Overdue discounted bills are transferred to corporate loans.

## Chapter V Management Discussion and Analysis

### 5.4 LOAN QUALITY ANALYSIS (CONTINUED)

#### 5.4.3 Distribution of loans and NPLs by industry

The following table sets forth the distribution of loans and NPLs by industry as of the dates indicated.

	31 December 2020				31 December 2019			
	Amount of loans	% of the total	NPLs ratio (%)	NPL ratio (%)	Amount of loans	% of the total	NPLs ratio (%)	NPL ratio (%)
<i>(in RMB100 million, except for percentages)</i>								
Commerce and services	538.85	9.40	23.20	4.31	500.86	10.79	10.67	2.13
Manufacturing	533.25	9.32	63.21	11.85	448.41	9.66	14.65	3.27
Public utilities	1,372.75	23.96	1.25	0.09	964.87	20.80	0.24	0.02
Real estate	269.45	4.70	0.20	0.07	189.43	4.08	2.67	1.41
Construction	267.22	4.66	5.24	1.96	276.50	5.96	4.80	1.74
Transportation	73.22	1.28	0.33	0.45	63.55	1.37	0.25	0.39
Energy and chemical	120.00	2.09	4.11	3.43	102.31	2.21	4.11	4.02
Catering and travelling	8.75	0.15	0.16	1.83	10.51	0.23	0.51	4.85
Education and media	22.70	0.40	0.09	0.40	13.80	0.30	0.15	1.09
Financial services	29.15	0.51	0.00	0.00	53.16	1.15	–	–
Others <sup>(1)</sup>	15.78	0.28	0.50	3.17	14.43	0.31	0.32	2.22
<b>Discounted bills</b>	<b>277.59</b>	<b>4.84</b>	<b>0.00</b>	<b>0.00</b>	218.70	4.71	–	–
<b>Retail loans</b>	<b>2,200.82</b>	<b>38.41</b>	<b>15.29</b>	<b>0.69</b>	1,783.32	38.43	9.78	0.55
<b>Total loans and advances to customers</b>	<b>5,729.54</b>	<b>100.00</b>	<b>113.58</b>	<b>1.98</b>	4,639.85	100.00	48.15	1.04

Note: (1) Others mainly include the planting, forestry, and livestock industry and the fishery industry.

## Chapter V Management Discussion and Analysis

### 5.4 LOAN QUALITY ANALYSIS (CONTINUED)

#### 5.4.4 Distribution of loans and NPLs by geographical segment

The following table sets forth the distribution of loans and NPLs by geographical segment as of the dates indicated.

	31 December 2020				31 December 2019			
	Amount of loans	% of the total	NPLs ratio (%)	NPL ratio (%)	Amount of loans	% of the total	NPLs ratio (%)	NPL ratio (%)
<i>(in RMB100 million, except for percentages)</i>								
Anhui	5,045.56	88.06	78.15	1.55	4,224.57	91.05	45.09	1.07
Jiangsu	463.99	8.10	16.72	3.60	415.28	8.95	3.06	0.74
Others	219.98	3.84	18.71	8.51	–	–	–	–
<b>Total loans and advances to customers</b>	<b>5,729.54</b>	<b>100.00</b>	<b>113.58</b>	<b>1.98</b>	4,639.85	100.00	48.15	1.04

#### 5.4.5 Distribution of loans and NPLs by type of collateral

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

	31 December 2020				31 December 2019			
	Amount of loans	% of the total	NPLs ratio (%)	NPL ratio (%)	Amount of loans	% of the total	NPLs ratio (%)	NPL ratio (%)
<i>(in RMB100 million, except for percentages)</i>								
Collateralized loans	2,019.90	35.25	26.27	1.30	1,673.89	36.08	24.97	1.49
Pledged loans	1,245.96	21.75	8.24	0.66	1,177.10	25.37	0.44	0.04
Guaranteed loans	1,024.83	17.89	37.37	3.65	678.68	14.63	18.38	2.71
Unsecured loans	1,161.25	20.27	41.70	3.59	891.48	19.21	4.36	0.49
Discounted bills	277.59	4.84	0.00	0.00	218.70	4.71	–	–
<b>Total loans and advances to customers</b>	<b>5,729.54</b>	<b>100.00</b>	<b>113.58</b>	<b>1.98</b>	4,639.85	100.00	48.15	1.04



## Chapter V Management Discussion and Analysis

### 5.4 LOAN QUALITY ANALYSIS (CONTINUED)

#### 5.4.6 Loans of the top 10 single borrowers

The following table sets forth the Bank's loans of the top 10 single borrowers as of the date indicated.

Top 10 borrowers	Industry borrower belongs to	31 December	% of net capital
		2020 Amount of loans as of (RMB million)	
A	Manufacture	3,512	3.31
B	Finance	3,379	3.19
C	Mining	2,740	2.59
D	Lease and commercial services	1,960	1.85
E	Mining	1,951	1.84
F	Water, environment and public infrastructure management	1,628	1.54
G	Water, environment and public infrastructure management	1,565	1.48
H	Water, environment and public infrastructure management	1,512	1.43
I	Water, environment and public infrastructure management	1,483	1.40
J	Manufacture	1,480	1.40
Total		21,210	20.02

#### 5.4.7 Distribution of loans by overdue period

The following table sets forth the distribution of loans by overdue period as of the dates indicated.

	31 December	31 December
	2020	2019
Total overdue customer loans and advances to customers listed by duration (RMB million)		
Within 3 months	3,987	2,598
3 to 6 months (including)	4,138	987
6 to 12 months	2,835	1,216
Over 12 months	1,787	1,646
Total	12,747	6,447
Percentage (%)		
Within 3 months	31.28	40.30
3 to 6 months (including)	32.46	15.31
6 to 12 months	22.24	18.86
Over 12 months	14.02	25.53
Total	100.00	100.00

## Chapter V Management Discussion and Analysis

### 5.4 LOAN QUALITY ANALYSIS (CONTINUED)

#### 5.4.8 Restructuring loans

During the Reporting Period, the Bank's restructuring NPLs amounted to RMB444.6965 million, which included 20 corporate loans amounting to RMB201.1774 million and 42 small enterprise loans amounting to RMB219.7791 million and 8 retail loans amounting to RMB23.74 million. In 2020, the restructuring NPLs of the Bank amounted to RMB444.6965 million, representing an increase of RMB88.9308 million from last year.

#### 5.4.9 Transfer of credit assets

The Bank disposes of its non-performing credit assets by transferring such assets to third parties in its ordinary course of business. In 2020, the Bank transferred NPLs of RMB3,713 million as above stated.

#### 5.4.10 Change of allowances for loan impairment<sup>(1)</sup>

The Bank adopts the "Expected Credit Loss Model" to assess impairment provision and loss on loans on a regular basis in accordance with the requirements of IFRS 9. In measuring the expected loss, the Bank uses a complex model comprising the future macroeconomic situation and the credit history of borrowers and makes relevant assumptions. After carrying out a forward-looking assessment of the expected credit loss on each loan, the Bank classifies the loans into stage one, two and three accordingly and determines the degree of impairment loss based on the degree of default. The Bank will regularly review the methodology and assumptions such as the criteria for significant increase in credit risk, the definition of credit-impaired assets, the parameters for expected credit loss measurement and forward-looking information to reduce the difference between the estimated impairment loss and the actual impairment loss on loans.

The following table sets forth the changes of allowances for impairment on loans and advances to customers.

Items	Unit: RMB million	
	2020	2019
Balance at the beginning of the period	14,630	12,026
Allowances for the period	10,563	4,581
Reversal/unwinding of allowances for impairment caused by the write-down of interest on impaired loans and advances to customers	(64)	(41)
Write-offs and transfer out for the period	(5,330)	(2,519)
Reversal caused by recovery of loans and advances to customers written off	861	583
Balance at the end of the period	20,660	14,630

Note: (1) Loans and advances to customers comprise loans and advances to customers measured at amortised cost and at fair value through other comprehensive income.

## Chapter V Management Discussion and Analysis

### 5.5 CAPITAL ADEQUACY RATIO ANALYSIS

The Bank continued to optimize asset structure, enhance capital management, and met the regulatory requirements on capital adequacy ratio set by the CBIRC during the Reporting Period.

The Bank calculated the capital adequacy ratio in accordance with the relevant requirements contained in the “Measures for the Capital Management of Commercial Banks (Trial)” issued by the CBRC. As of 31 December 2020, the Bank’s capital adequacy ratio was 12.12%, Tier 1 capital adequacy ratio was 9.89%, and core Tier 1 capital adequacy ratio was 8.04%.

The table below shows information relating to capital adequacy ratios of the Bank as at 31 December 2020:

*Unit: RMB million, except for percentages*

	<b>31 December 2020</b>
<b>Core Tier 1 capital</b>	<b>88,950</b>
Including: Paid-in capital	13,890
Capital reserve	15,869
Surplus reserve and statutory general reserve	25,530
Retained earnings	31,763
Non-controlling interests	1,899
Regulatory deductions for core Tier 1 Capital	<b>(18,679)</b>
<b>Core Tier 1 capital, net of deductions</b>	<b>70,271</b>
<b>Other Tier 1 capital, net of deductions</b>	<b>16,243</b>
<b>Tier 1 capital, net of deductions</b>	<b>86,514</b>
<b>Tier 2 capital</b>	<b>19,437</b>
Including: Tier 2 capital instruments and premium	8,800
Surplus loan loss provisions	10,137
Non-controlling interests	500
<b>Total capital, net of deductions</b>	<b>105,951</b>
Credit risk-weighted assets	810,984
Market risk-weighted assets	7,147
Operational risk-weighted assets	56,215
<b>Risk-weighted assets</b>	<b>874,346</b>
<b>Capital adequacy ratio</b>	<b>12.12%</b>
<b>Tier 1 capital adequacy ratio</b>	<b>9.89%</b>
<b>Core Tier 1 capital adequacy ratio</b>	<b>8.04%</b>

## Chapter V Management Discussion and Analysis

### 5.5 CAPITAL ADEQUACY RATIO ANALYSIS (CONTINUED)

Pursuant to regulatory requirements, the capital adequacy ratio of the Bank above was calculated after consolidating relevant data of Jinzhai Huiyin Rural Bank Co., Ltd., Wuwei Huiyin Rural Bank Co., Ltd., Huiyin Financial Leasing Co., Ltd. and Huishang Bank Wealth Management Co., Ltd.

#### Leverage ratio

Unit: RMB million, except for percentages

Item	31 December	31 December
	2020	2019
Leverage ratio	<b>6.90%</b>	7.14%
Tier 1 capital, net of deductions	<b>86,514</b>	87,641
Adjusted balance of assets on and off the balance sheet	<b>1,253,034</b>	1,227,078

Note: Indicators related to leverage ratio are calculated pursuant to the "Administrative Measures for Leverage Ratio of Commercial Banks (Revised)" (No. 1 Order of CBRC in 2015) effective from 1 April 2015.

### 5.6 SEGMENT PERFORMANCES

#### Operating segments

The Bank provides services through four main business segments: corporate banking, retail banking, treasury and others. The table below sets forth the segment performance of the Bank by business line as at the periods indicated.

	2020		2019	
	Total segment profits	Percentage (%)	Total segment profits	Percentage (%)
	<i>(RMB million, except for percentages)</i>			
Corporate banking business	<b>6,790</b>	<b>56.19</b>	6,671	54.23
Retail banking business	<b>2,752</b>	<b>22.78</b>	1,892	15.38
Treasury	<b>2,952</b>	<b>24.43</b>	3,550	28.86
Others	<b>(411)</b>	<b>(3.40)</b>	188	1.53
Total	<b>12,083</b>	<b>100.00</b>	12,301	100.00

## Chapter V Management Discussion and Analysis

### 5.6 SEGMENT PERFORMANCES (CONTINUED)

#### Geographical segments

Geographically, the Bank's business is mainly in Mainland China. It has set up branches in Anhui Province, Jiangsu region and other areas. The table below lists the Bank's geographical segments performance as at the periods indicated.

	31 December 2020					Total
	Anhui Province	Jiangsu region	Head office	Other areas	Inter-segment eliminations	
	<i>(RMB million)</i>					
Segment assets	763,577	45,419	409,004	54,394	(10,421)	1,261,973
Including: investments in associates	-	-	4,474	-	-	4,474
Deferred income tax assets	-	-	-	-	-	9,728
Total assets	-	-	-	-	-	1,271,701
Segment liabilities	(750,248)	(44,308)	(323,196)	(54,815)	6,539	(1,166,028)
Total profits	9,158	763	3,240	(1,078)	-	12,083

	31 December 2019				Total
	Anhui Province	Pan-Yangtze River Delta area	Head Office	Inter-segment eliminations	
	<i>(RMB million)</i>				
Segment assets	637,331	66,510	424,672	(4,953)	1,123,560
Including: investments in associates	-	-	1,242	-	1,242
Deferred income tax assets	-	-	-	-	8,162
Total assets	-	-	-	-	1,131,721
Segment liabilities	(623,221)	(65,251)	(358,709)	4,953	(1,042,228)
Total profits	8,126	844	3,331	-	12,301

### 5.7 OTHERS

#### 5.7.1 Off-balance sheet balances and important circumstances that may have significant impacts on the financial position and operating results of the Bank

The off-balance sheet items of the Bank include letters of bank acceptance, letters of credit, letters of guarantee, credit commitments, capital commitment, and certificate government bond honor commitments. Financial guarantees and credit commitments, other commitments and contingent liabilities can be found in Note 44 to the financial statements.

#### 5.7.2 Overdue outstanding debt

At the end of 2020, the Bank had no overdue outstanding debt.

## Chapter V Management Discussion and Analysis

### 5.8 INFLUENCE OF CHANGE IN OPERATING ENVIRONMENT AND MACRO POLICY AND THE FOCUSES OF THE OPERATION

#### 1. Domestic economic recovery outperformed expectation

In 2020, amid the severe and complex domestic and foreign environment, especially the huge impact imposed by the COVID-19 pandemic, our country's economic operation has managed to recover steadily, and done a better job in achieving the main goals and tasks of economic and social development than expected. In 2020, the total GDP for the whole year exceeded RMB100 trillion for the first time, an increase of 2.3% over the previous year. From the perspective of the supply side, the industrial structure was optimized continuously, the industrial growth rate was picking up quarter by quarter, the high-tech manufacturing and equipment manufacturing industries grew rapidly, and the service industry recovered steadily, leading a sound and steady trend of transformation and upgrading. From the demand side, investment has become the main driving force for economic growth, and gross capital formation has driven GDP growth by 2.2 percentage points. The CPI for the whole year of 2020 increased by 2.5% year-on-year, but the core CPI was still at a low level; PPI decreased by 1.8% year-on-year; net exports have driven GDP growth by 0.7 percentage point, playing more important role in stimulating economic growth.

#### 2. Implementation of macro policies in a scientific and targeted manner

Since the epidemic in early 2020, fiscal policies have become more proactive, with a package of policy measures such as expanding the fiscal deficit, and issuing special treasury bonds for fighting the epidemic and newly added special bonds for local governments. The phased policy of tax and fee reduction was strengthened to rescue and support the development of small and micro enterprises. The government also took targeted efforts to help win the three tough battles; strengthened the financial guarantee for innovation policies to promote the innovation and competitiveness of the real economy; invested financial resources at community level to a greatest extent to steadily secure people's basic livelihood. Facing the severe impact of the epidemic, the People's Bank of China has implemented a prudent monetary policy with precise guidance, and guided the financial system to transfer a profit of RMB1.5 trillion to the real economy through measures including lowering interest rates, reducing fees, and deferring loan repayment, effectively supporting the real economy, unleashing the potential of LPR reform, and better hedging against the high degree of uncertainty in the macro-economy since the epidemic.

#### 3. Trends of digital transformation sped up

The Central Economic Work Conference prioritized "improving the national strategic scientific and technological strength" among the key tasks in 2021. Under the new development pattern of the domestic-international dual circulation with domestic circulation as the mainstay, the importance and urgency of the digital transformation of the banking industry is increasingly highlighted. As of the end of 2020, 13 commercial banks have established fintech subsidiaries to serve internal demands in digital transformation. Leveraging on artificial intelligence, big data and other technologies, they have sped up in the development of targeted customer sourcing, automatic approval, intelligent risk control and scenario-based businesses. "Handling business at home" and "obtaining loans through touching" have become standard businesses and the advantages of the digital transformation with "rapid loans advancing, targeted customer sourcing, low costs and risks" are irreplaceable. The effects of fintech in empowering the banking industry will be further displayed during the "14th Five-year Plan" period. The banking industry shall actively embrace new technologies and achieve the digital transformation of operating models.

## Chapter V Management Discussion and Analysis

### 5.9 BUSINESS OPERATION

#### 5.9.1 Wholesale banking

##### *Business overview*

The Bank provides a full range of wholesale financial products and services to corporations, financial institutions and governmental and institutional customers including corporate loans, corporate deposits, investment banking, transaction banking and a series of fee and commission-based services. In particular, the Bank is committed to providing comprehensive service solutions for all types of corporations.

In 2020, persistently adhering to customer-centric service philosophy, the Bank continuously cultivated new business growth points, provided customers with integrated financial services, and steadily expanded the market outside of Anhui Province based on in-depth operation in the market of Anhui Province. During the Reporting Period, the Bank accelerated business innovation and digital transformation, provided customers with integrated financial services and digital system support, and continued to optimize customer and revenue structure; strengthened risk management and control, comprehensively improved asset profitability, and effectively prevented asset risks, thereby promoting the steady development of wholesale banking business. At the same time, the Bank actively assumed its social responsibilities by launching emergency loan products in a timely manner to fully support epidemic prevention and control and flood prevention and rescue. In 2020, the Bank continued to maintain its leading position in corporate deposits within Anhui Province. Transformative businesses including investment banking and transaction banking all achieved rapid growth and were widely recognized by the market.

##### *Corporate loans*

The Bank's corporate loans mainly include working capital loans, fixed asset loans, supply chain financing and other loans. In 2020, the Bank showed great courage and resolved to take responsibility to serve the overall national economy, by continuing to accelerate the innovation of high-quality financial products, fully supporting the anti-epidemic and flood prevention and the resumption of work and production, promoting the completion of poverty alleviation, and carrying out the "six stability" to implement the task of "six guarantees". Loans to infrastructure construction, manufacturing industry, and private enterprises continued to grow. As of 31 December 2020, the Bank's balance of corporate loans (including discounted bills) was RMB352,871 million, representing an increase of RMB67,219 million from the last year.

##### *Corporate deposits*

While deepening the relationship with existing customers, the Bank has been committed to the application and innovation of the corporate deposit product portfolio, strengthening the joint marketing of corporate banking and private banking, so as to create a comprehensive product lineage, and enhance the comprehensive income of the Bank's various businesses. Through linking to businesses such as investment banking, supply chain finance, cash management, bill and custody business, the Bank has taken in a substantial amount of low-cost corporate deposits by effectively improving the quality of professional services and broadening the sources of deposits. As of 31 December 2020, the Bank's balance of corporate deposits amounted to RMB439,758 million (excluding margin deposits).

## Chapter V Management Discussion and Analysis

### 5.9 BUSINESS OPERATION (CONTINUED)

#### 5.9.1 Wholesale banking (Continued)

##### *Transaction banking*

In 2020, the Bank focused on the digital transformation of financial technology-driven products to create three core trading banking sectors of “transactional assets”, “transactional liabilities” and “transactional services”, and launched a series of financial asset products including the asset product of “Financing Supply Link”(融鏈通); the debt product of “Tendering Link”(招標通); and the service product of “Easy Collection”(易託收), with product functions reaching the middle and upper levels of the industry.

In 2020, the Bank returned to its missions as a financial institution, focused on small, medium, micro and private enterprises to improve the quality and efficiency of financial services provided to them. With online, smart, and digital innovative products as tools and taking products as carriers, the supply chain finance sector has focused on key industries to enhance corporate customer service capabilities based on industrial chain scenarios. In 2020, the Bank’s supply chain financial products have extended a total of RMB22.386 billion, an increase of 116.90% year-on-year, serving nearly 1,000 core enterprises in the industry chain, and radiating nearly 2,000 enterprises in the upstream and downstream of the chain.

The Bank was committed to building a domestic and foreign currency integrated transaction banking services platform, to give full play to advantage of the strength of professional services of transaction banking and meet cash management demands of customers during the entire transaction process, thus comprehensively promoting the fast development of online corporate banking business and cash management comprehensive services ability and market influence of the Bank were significantly enhanced. During 2020, the annual transaction amount of cash management business of the Bank exceeded RMB4 trillion, representing an increase of 95% from the last year.

In 2020, the Bank leveraged the favorable opportunities for the integration of the Yangtze River Delta and the construction of the Anhui Province Pilot Free Trade Zone to accelerate the research and development of innovative products and online upgrades, enhance the comprehensive cross-border financial service capabilities, steadily increasing the volume of various businesses. As at the end of 2020, the Bank completed cross-border settlement in a total of USD8,700 million, representing an increase of 13.62% as compared with the end of the last year; the accumulatively granted on-sheet international trade financing amounted to RMB5,233 million; domestic letters of credit and financing business thereunder amounted to RMB34,944 million and the volume of foreign exchange transactions totaled USD50,047 million (including spot foreign exchange, forward foreign exchange, foreign exchange swap, foreign currency lending).



## Chapter V Management Discussion and Analysis

### 5.9 BUSINESS OPERATION (CONTINUED)

#### 5.9.1 Wholesale banking (Continued)

##### *Transaction banking (Continued)*

In developing correspondent banking channels, the Bank implemented its new layout and new strategies of correspondent banks in line with “One Belt, One Road” initiative and further improved its overseas network of correspondent banking relationships. As of the end of 2020, the number of correspondent banks of the Bank was 650, and the total number of overseas clearing accounts for the main settlement currencies amounted to 14. It also continuously improved the anti-money laundering compliance risk management system for overseas agency business. As the Bank constantly optimized correspondent banking structure and improved clearing channels, correspondent banking customer demands for clearing and settlement services were fully satisfied..

##### *Investment banking business*

To promote its business transformation, the Bank focuses on developing investment banking services such as lead underwriting of debt financing instruments, asset securitization, M&A financing. The Bank continually enriches its investment banking products by launching innovative products such as asset securitization, direct wealth management financing instruments. During the Reporting Period, the Bank vigorously promoted the underwriting business of debt financing instruments. The Bank completed the registration of 50 debt financing instruments, with a total registered amount of RMB84,530 million; and completed the issuance of 45 debt financing instruments with an underwriting amount of RMB19,604 million, increasing by 32.46% as compared to last year. In 2020, the Bank continued to make breakthroughs in the asset securitization business, completing the underwriting and marketing business of multiple corporate asset securitization products. It also achieved rapid growth in debt financing plan business and further satisfied the diversified corporate financing needs.

#### 5.9.2 Retail banking business

##### *Business overview*

In 2020, through building a brand for retail marketing activities, intensifying its efforts in market expansion, enriching marketing campaigns and models, innovating financial products and services and accelerating business channel and team building, the Bank continually promoted the construction of inclusive finance systems, wealth management and private banking systems and transformation and upgrade of our retails. These efforts have helped lay a solid foundation for retail business development of the Bank and improve the performance indicators and regional competitiveness of its retail business.

In 2020, as the Bank’s active customers maintained a steady growth, and the number of medium-to-high-value customers grew fast, the structure of customer base was further optimized. As of the end of 2020, the number of customers with customer equity of RMB500,000 or above amounted to 184,655, representing an increase of 30.80% as compared with the beginning of the year. The number of customers with customer equity over RMB2 million increased by 33.80% from the beginning of the year. Wealth management business maintained a rapid growth rate, with the Bank’s personal financial assets under management (AUM) reaching RMB420 billion, sales of wealth management products (WMPs) growing rapidly.

## Chapter V Management Discussion and Analysis

### 5.9 BUSINESS OPERATION (CONTINUED)

#### 5.9.2 Retail banking business (Continued)

##### *Business overview (Continued)*

The scale of deposits and loans of retail customers expanded continuously. New indicators for retail deposits reached a historic high. Market share of retail deposits in Anhui Province has kept rising since the listing of H Shares of the Bank. The business scale of retail loans continued to expand, with the pricing levels of retail loans being improved constantly.

##### *Wealth management business*

The Bank's personal wealth management business mainly includes personal wealth management services, agency service for sales of funds, agency service for sales of insurance products, agency service for sales of treasury bonds and agency service for sales of precious metal. In 2020, the personal wealth management business (excluding direct banking business) amounted to RMB192,453 million, representing an increase of RMB27,676 million or 16.8% from the beginning of the year. In particular, funds raised from personal wealth management business totaled RMB544,788 million, representing an increase of 50.33% as compared with the same period of the last year. In 2020, income from the intermediary business under the personal wealth management business of the Bank was RMB379 million.

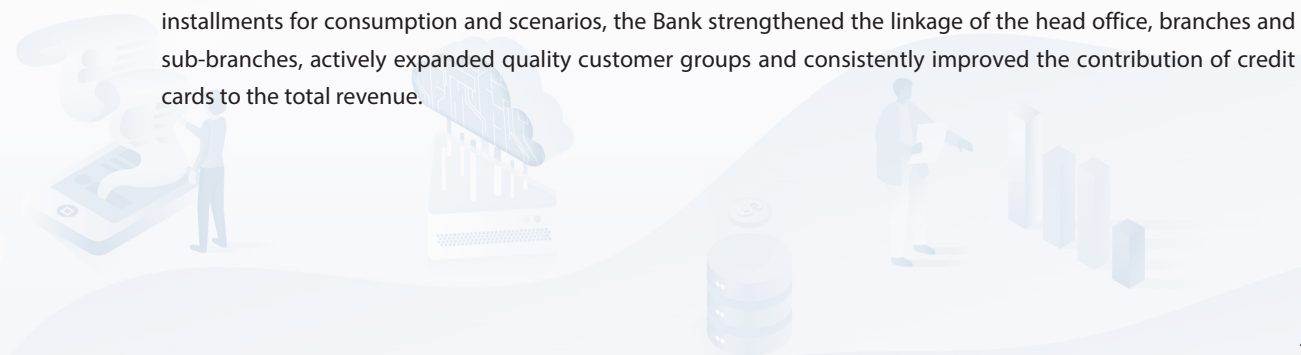
##### *Bank card business*

###### *One card*

In 2020, the Bank further deepened the expansion and operation of the customer base of retail business. In adherence to the customer-centric business philosophy, the Bank proactively carried out various kinds of marketing activities for bank cards, constantly cultivated the card-using habits of customers and constantly enhanced its customer loyalty, so as to further achieve a steady and continuous growth in Huangshan Debit Cards transactions. As at the end of 2020, the Bank issued a total of 20.89 million cards, including 16.19 million debit cards, and 1.76 million cards newly issued during the year; total deposits of the cards amounted to RMB132,515 million, representing an increase of 37.58% as compared with the same period of the last year, and deposit per card amounted to RMB8,200, representing an increase of 22.39% as compared with the same period of the last year.

###### *Credit card*

The Bank vigorously advanced the establishment of the digital credit card service system and further developed accurate data models and risk management means to display the core functions of "payment, cash and credit" of credit cards. Focusing on "online, virtual and scenario-based businesses" and driven by themed cards and installments for consumption and scenarios, the Bank strengthened the linkage of the head office, branches and sub-branches, actively expanded quality customer groups and consistently improved the contribution of credit cards to the total revenue.



## Chapter V Management Discussion and Analysis

### 5.9 BUSINESS OPERATION (CONTINUED)

#### 5.9.2 Retail banking business (Continued)

##### **Bank card business** (Continued)

##### *Credit card* (Continued)

As at the end of the Reporting Period, the Bank issued 2,444,477 valid credit cards. The number of credit cards issued during the Reporting Period was 1,113,333. Throughout 2020, the transaction amount of credit cards was RMB47.05 billion in aggregate. The credit card overdraft amount was RMB19.070 billion, representing an increase of RMB5.91 billion as compared with the beginning of the year. Credit card income amounted to RMB939 million, representing an increase of 4.57% as compared with the same period of the last year. As of 31 December 2020, credit cards overdraft default ratio was 1.86%, representing a decrease of 0.81 percentage point from the end of the last year (the measurement of NPL of the Bank under the headquarters is more than 60 days past due).

##### **Retail loans**

In 2020, the Bank has fully implemented the national real estate policy and various regulatory requirements, strengthened financial support for personal housing loan business during the epidemic, completed on schedule the modification of the interest of existing floating rate personal housing loan business to LPR, and adhered to the principle of “housing is for living, not speculating”, in order to support the credit demand for rigid and improved housing, and increase the market expansion of personal housing loan business. As at the end of 2020, the balance of personal home loans of the Bank under the headquarters amounted to RMB111.783 billion, representing an increase of RMB22.037 billion or 24.55% as compared with the beginning of the year. As affected by the pandemic, NPL ratio of personal home loan of the Bank under the headquarters was 0.31%, representing an increase of 0.07 percentage point as compared with the beginning of the year (the measurement of NPL of the Bank under the headquarters is more than 60 days past due).

As at the end of 2020, personal business loans and microloan of the Bank amounted to RMB38.910 billion, representing an increase of RMB6.787 billion or 21.13% as compared with the beginning of the year; NPL ratio of personal business loans and microloans of the Bank was 1.26%, representing an increase of 0.27 percentage point as compared with the beginning of the year. The balance of personal non-home consumption loans of the Bank amounted to RMB14.908 billion (excluding credit card consumption loan), representing an increase of RMB6,566 million or 78.71% as compared with the beginning of the year; NPL ratio of personal non-home consumption loan of the Bank (excluding credit card consumption loan) was 1.00%, representing an increase of 0.44 percentage point as compared with the beginning of the year.

## Chapter V Management Discussion and Analysis

### 5.9 BUSINESS OPERATION (CONTINUED)

#### 5.9.2 Retail banking business (Continued)

##### *Retail customer deposits*

Facing the outbreak of the COVID-19 pandemic in 2020 and the intricate external economic situation with slower growth in real economies, strengthened regulation on deposit innovation and the continuous advancing of interest rate liberalization, the Bank adhered to the customer-centric operation philosophy, firmly focused on value preservation and appreciation of customers' assets, payment and settlement, living consumption and other scenarios and centered on quality agency service, core middle-income class and other potential customer groups, achieving rapid growth in deposits from retail customers through digital marketing means. As at the end of 2020, the Bank's retail customer deposits amounted to RMB235.547 billion, representing an increase of 33.10% as compared with the end of the last year. The Bank's county-level retail deposits under the headquarters amounted to RMB72.718 billion, representing an increase of RMB16.841 billion or 30.14% as compared with the beginning of the year. As at the end of 2020, the market share of the Bank's retail deposits in Anhui Province reached 7.45%, representing an increase of 0.81 percentage point from the beginning of the year.

#### 5.9.3 Financial market business

Facing the impact of the COVID-19 pandemic and the complicated domestic and overseas situation in 2020, the PBOC maintained reasonable and sufficient market liquidity through RRR cut, MLF and open market operations. With the domestic pandemic under effective control, the continuously advancing of proactive fiscal policies and the normalized monetary policies, the economic operation in China resumed stable and the yield rate picked up after hitting the bottom. In light of the complicated financial environment, the Bank firmly seized market opportunities and enhanced its operational capability. Based on the market situation, the Bank adjusted the proportion of asset allocation and appropriately expanded the allocation of treasury bonds, policy finance bonds and local government bonds. Meanwhile, it actively participated in transactions in the secondary market to improve band operation, achieving sound development in the financial market business.

During the Reporting Period, the Bank vigorously participated in innovative business. It successfully obtained the settlement qualification for spot bonds on stock exchanges from CSDC. It opened real-time undertaking of interest rate swap business, which further expanded bond trading channels of the Bank and enhanced the interest rate risk management capability.

#### 5.9.4 Asset management business

During the Reporting Period, the Bank strictly followed the regulatory requirements, carried out the operation of the existing wealth management business and modification and de-leveraging in a stable and orderly manner, continued to promote the transformation towards net value-based products, and continuously optimized the product structure. And Huishang Bank Wealth Management Co., Ltd. was approved to start operation. The balance of the Bank's wealth management products at the end of the Reporting Period amounted to RMB177.098 billion, representing a decrease of 5.71% as compared with the same period of last year, of which the proportion of balance of non-guaranteed wealth management products was about 99.31%. The balance of the Bank's net-worth wealth management products at the end of the Reporting Period amounted to RMB134.508 billion, representing an increase of 30.23% as compared with the same period of last year and accounting for about 75.95%.

## Chapter V Management Discussion and Analysis

### 5.9 BUSINESS OPERATION (CONTINUED)

#### 5.9.5 Custody business

During the Reporting Period, the Bank continued to increase efforts in custody business marketing, actively promoted brand building, and focused on improving core competitiveness, achieving steady growth in scale and intermediary business income. As of 31 December 2020, the balance of assets under custody (excluding regulating products of corporate and investment banking) of the Bank amounted to RMB883.75 billion, representing an increase of RMB63.350 billion or 7.72% as compared with the corresponding period of the last year. The Bank's custody asset business (excluding regulating products of corporate and investment banking) generated a custody fee income of RMB445.8298 million, representing an increase of RMB78.9984 million or 21.54% as compared with the corresponding period of the last year, ranking the second in the industry and the first among city commercial banks in terms of growth rate.

#### 5.9.6 Distribution channels

The Bank uses a variety of distribution channels to provide products and services. The Bank's distribution channels are mainly divided into physical distribution channels and electronic banking channels.

##### *Physical distribution channels*

As of 31 December 2020, the Bank had a total of 654 self-service banks (including single points) with 2,019 cash self-service equipment (including 1,258 cash recycling machines, 731 smart self-service terminals and 30 teller machines).

##### *Electronic banking channels*

The Bank put great emphasis on developing and improving electronic banking channels, including online banking and mobile banking. In 2020, the Bank enhanced the management on the operation of electronic channels centered on mobile internet, which effectively relieved the pressure on outlets.

##### *Mobile banking*

As of the end of the Reporting Period, the total number of contracted mobile banking customers reached 6.0344 million. The number of mobile banking transactions reached 161.0511 million, representing a year-on-year increase of 22.57%. The transaction amount accumulated to RMB1,313.816 billion, representing a year-on-year increase of 73.73%.

## Chapter V Management Discussion and Analysis

### 5.9 BUSINESS OPERATION (CONTINUED)

#### 5.9.6 Distribution channels (Continued)

##### *Online banking*

In 2020, the Bank's personal online banking business maintained a steady development with a steady growth in customer base and increasing trading activity of customers. As at the end of 2020, the total number of personal online banking customers reached 5.8240 million. The number of personal online banking transactions accumulated to 456.8145 million in 2020, representing a year-on-year increase of 10.05%. Among these transactions, the number of online payment transactions was 254.7617 million, representing a year-on-year increase of 21.29%, and the transaction amount was RMB171.895 billion, representing a year-on-year increase of 14.24%. As at the end of 2020, the Bank's total number of enterprise online banking customers reached 273,600 with 21.00 million enterprise online banking transactions, representing a year-on-year increase of 64.92%. The transaction amount of enterprise online banking accumulated to RMB4.58 trillion, representing a year-on-year increase of 69.62%.

##### *Direct banking*

In 2020, the Bank's direct banking actively leveraged on its own capabilities and gave full play to the characteristics of "Internet +". With the target of digital transformation, it continuously developed first-mover advantages in Internet wealth, Internet loans, Internet account and payment, Internet asset management and other business segments and continued to enhance the capability output to facilitate the development of the Bank's Internet financial business and strive to build an Internet bank with light assets and low costs. The Bank maintained a leading position in terms of the comprehensive strength of the Bank's direct banking brand "Hui Chang You Cai (徽常有財)", which was awarded authoritative prizes in the industry, significantly improving the brand value. As at the end of 2020, the number of direct bank accounts of the Bank exceeded 22.7475 million; the balance of personal financial assets under management sold by agents was RMB3.778 billion, the cumulative transaction volume of wealth products exceeded RMB58.852 billion, and the accumulated amount of various loans was RMB64.490 billion, with a loan balance of RMB14.327 billion.

#### 5.9.7 Financial business for small and micro enterprises

In 2020, the Bank continued to implement the decision and deployment of the competent authorities and regulatory authorities on strengthening services for small and micro financial, focusing on "increment, expansion, quality improvement, and cost reduction" to continuously improve its ability of providing financial services to small and micro enterprises, and to promote the implementation of various policies. As at the end of 2020, the balance of national-standard small and micro enterprises loans of the Bank was RMB235,186 million, representing a net increase of RMB45,248 million as compared with the beginning of the year. Among them, the balance of bill discounting for the credit granted to a single customer less than RMB10 million (inclusive) of the inclusive small and micro enterprises was RMB68,655 million, representing a net increase of RMB16,075 million or 30.57% as compared with the beginning of the year and 7.06 percentage points higher than that of various loans of the Bank; the number of accounts was 126,400, representing a net increase of 59,500; the average interest rate was 5.63%, decreasing by 67 basic points from that in 2019.

## Chapter V Management Discussion and Analysis

### 5.9 BUSINESS OPERATION (CONTINUED)

#### 5.9.8 Fintech business

In 2020, the Bank thoroughly implemented the national innovation-driven strategic deployment. With the integration of the Yangtze River Delta, the construction of the G60 Science and Technology Innovation Corridor, and the free trade zones, it has taken the initiative to focus on technology-based enterprises, and innovatively develop scientific and technological financial services through the integration of industry and finance, investment and loan linkage, etc., in order to create a scientific and efficient system of scientific and technological financial service. As at the end of 2020, the balance of technology-based enterprises loans amounted to RMB35,289 million, representing a net increase of RMB7,606 million or 27.48% as compared with the beginning of the year. The number of customers from technology-based enterprises amounted to 2,291, representing an increase of 38.33%. As at the end of December 2020, the Bank had cooperated with external investment institutions and provided investment and loan linked business of approximately RMB3,850 million for over 300 technology-based enterprises, representing a net increase of RMB748 million or 24.11% as compared with the beginning of the year. The Bank's technology-based enterprises credit balance maintained a leading position among financial institutions in Anhui Province.

#### 5.9.9 Subsidiaries and major companies in which the Bank has shareholdings

##### *Subsidiaries*

##### *Huiyin Financial Leasing Co., Ltd.*

Registered in Hefei, Huiyin Financial Leasing Co., Ltd. ("Huiyin Financial Leasing") officially commenced its business on 30 April 2015 with an initial registered capital of RMB2,000 million. Huiyin Financial Leasing was jointly established by the Bank, Anhui Foreign Economic Construction (Group) Co., Ltd. and Materials Industry & Trade Company of China Tiesiju Civil Engineering Group Co., Ltd. The Bank contributed RMB1,020 million to the registered capital of Huiyin Financial Leasing, accounting for 51% of its shareholdings. The registered capital of Huiyin Financial Leasing increased to RMB3,000 million in 2018, to which the Bank contributed RMB1.62 billion, accounting for 54% of its shareholding. As at the end of 2020, the amount of investment of lease assets completed by Huiyin Financial Leasing was RMB104.720 billion, and principal balance of lease assets amounted to RMB50.751 billion. The company had total assets, total liabilities and owners' equity of RMB52.898 billion, RMB47.501 billion and RMB5.337 billion, respectively, achieving net profit of RMB619 million for the year.

##### *Huishang Bank Wealth Management Co., Ltd.*

Huishang Bank Wealth Management Co., Ltd. (徽銀理財有限責任公司) ("Huishang Bank Wealth Management") officially commenced business on 28 April 2020. Incorporated in Hefei with a registered capital of RMB2 billion, Huishang Bank Wealth Management was wholly funded by the Bank. As the first wealth management subsidiary in central areas and the third subsidiary among city commercial banks, Huishang Bank Wealth Management adheres to the principle of "serving the growth of real economy and residents' wealth", gives full play to the advantages of the first-level legal person in systems and mechanisms and leverage on outstanding products and services to build itself into a professional asset management agency with its own characteristics and certain national influence and make active contributions to local social and economic development. As at the end of 2020, Huishang Bank Wealth Management had total assets, total liabilities and owners' equity of RMB2.203 billion, RMB94 million and RMB2.109 billion, respectively, achieving net profit of RMB109 million for the year.

## Chapter V Management Discussion and Analysis

### 5.9 BUSINESS OPERATION (CONTINUED)

#### 5.9.9 Subsidiaries and major companies in which the Bank has shareholdings (Continued)

##### *Subsidiaries (Continued)*

##### *Jinzhai Huiyin Rural Bank Co., Ltd.*

Registered in Jinzhai County of Lu'an City, Jinzhai Huiyin Rural Bank Co., Ltd. ("Jinzhai Huiyin") officially commenced its businesses on 28 June 2013 with a registered capital of RMB80 million, to which the Bank contributed RMB32.80 million, accounting for 41% of its shareholdings. As at the end of 2020, Jinzhai Huiyin had total assets, balance of various loans and balance of various deposits of RMB2.36 billion, RMB1.287 billion and RMB2.013 billion, respectively.

##### *Wuwei Huiyin Rural Bank Co., Ltd.*

Registered in Wuwei city of Wuhu City, Wuwei Huiyin Rural Bank Co., Ltd. ("Wuwei Huiyin") officially commenced its businesses on 8 August 2010. Its registered capital was RMB100 million, to which the Bank contributed RMB40 million, accounting for 40% of its shareholdings. As at the end of 2020, Wuwei Huiyin had total assets, balance of various loans and balance of various deposits of RMB2.494 billion, RMB1.959 billion and RMB2.278 billion, respectively.

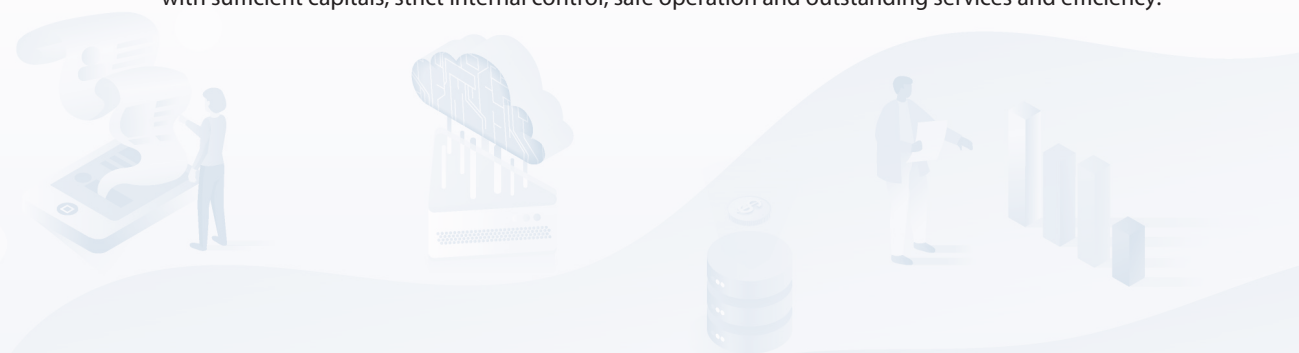
##### *Major companies in which the Bank has shareholdings*

##### *Chery Huiyin Motor Finance Service Co., Ltd.*

Registered in Wuhu City, Chery Huiyin Motor Finance Service Co., Ltd. ("Chery Huiyin"), which was established on 13 April 2009, is China's first independent brand auto finance company. It was jointly set up by the Bank and Chery Automobile Co., Ltd. ("Chery Automobile"). Its current registered capital is RMB1,500 million, 300 million shares of which are held by the Bank, accounting for 20% of its shareholdings, while Chery Automobile holds 735 million shares, accounting for 49% of its shareholdings; and Chery Holding Co., Ltd. holds 465 million shares, accounting for 31% of its shareholdings.

##### *Mengshang Bank Co., Ltd.*

Mengshang Bank Co., Ltd. ("Mengshang Bank") was established on 30 April 2020 in Baotou City. Mengshang Bank was jointly established by Deposit Insurance Fund Management Co., Ltd. (存款保險基金管理有限責任公司) with 8 promoters in the region, including the Bank and the Financial Department of Inner Mongolia, with a registered capital of RMB20 billion and the Bank owns a shareholding proportion of 15%. Mengshang Bank is a city commercial bank with the operation scope within the Inner Mongolia Autonomous Region. Its operation purpose is to take root in Inner Mongolia, conduct stable operation and build it into a regional commercial bank with sufficient capitals, strict internal control, safe operation and outstanding services and efficiency.





## Chapter V Management Discussion and Analysis

### 5.10 RISK MANAGEMENT

Facing the severe situation caused by the COVID-19 pandemic in 2020, the Bank took digital transformation as the lead, held onto the bottom line of maintaining asset quality and strove to enhance the risk management ability. The Bank practiced the prudent operation philosophy in a drive to ensure the prudence of business development and the objectivity of asset classification and maintain sufficient risk provisions and capital adequacy. In the principle of stable operation, the Bank built a comprehensive, full-process risk management system covering all employees and strove to realize coordinated development that balances scale, quality and efficiency on the premise that risks are under control, so as to realize the value of comprehensive risk management and the strategic objective of transformation and upgrading of the Bank.

#### 5.10.1 Credit risk management

Credit risk refers to the risk of loss due to the default of the debtors or counterparties or the reduction in their credit ratings and performance capabilities. Credit risk is the major risk currently faced by the Bank, mainly involving on- and off-balance credit risk exposures in relation to loans, interbank lending, funds, guarantees, commitments, etc.

In 2020, guided by comprehensive risk management, the Bank formulated risk preference, risk quota, loan credit policy systems on the basis of comprehensive risk management measures. The Bank let policy guide its optimization of the credit structure; continued to promote the construction and application of the internal evaluation system to provide effective support for credit granting, credit use, and risk measurement; and studied and formulated action plans on the “control” of key institutes and key projects for the year to improve the quality and efficiency of collection and resolution. During the Reporting Period, the Bank’s NPL balance increased. However, through actively carrying out the “four batches” project to speed up the disposal of risky assets, the structure and quality of its assets were effectively improved. Please refer to Section 5.4 “Loan Quality Analysis” in this annual report for the distribution structure.

#### 5.10.2 Market risk management

Market risk refers to the risk of on- or off-balance-sheet loss caused by changes in interest rates, foreign exchange rates and other market factors. The market risk management of the Bank covers exchange rate risk and interest risk of trading books.

In 2020, in the face of complex and volatile external environment, the Bank focused on improving market risk management tools, optimizing market risk management processes, and promoting daily market risk management in an all-round manner. The Bank continued to measure and analyze market risks, by comprehensively using fair value assessment, sensitivity analysis, stress testing and other methods to measure and analyze market risks. It also continued to carry out market risk limit management, by setting different types of market risk limits based on the nature, scale, complexity and capital strength of the business, and strengthening limit monitoring and early warning. The Bank strengthened the risk management of treasury business, improved the internal control system for bond transactions, put in place a corresponding internal control system, and carried out investment duration management and duration mismatch business. Besides, it studied the minimum capital requirements for market risk in the Basel Agreement, followed up on changes in regulatory policies, paid attention to the progress of peers, and measured market risk capital in accordance with the latest regulatory methods.

## Chapter V Management Discussion and Analysis

### 5.10 RISK MANAGEMENT (CONTINUED)

#### 5.10.2 Market risk management (Continued)

Adhering to process optimization and technological innovation and under the comprehensive risk management framework, the Bank fully identified, accurately measured and continuously monitored market risks in various business lines to control market risks within a tolerable range.

#### 5.10.3 Operational risk management

Operational risk refers to the risk of loss arising from flawed or problematic internal procedures, personnel, IT systems and external events.

The Bank continued to promote the construction of an operational risk management system, strengthened the development of three major instruments for operational risk management, improved the key operational risk indicators, and optimized the information system for operational risk management to improve the informatization of operational risk management. The Bank refined its operational risk management system, revised management methods on operational risk event and loss data collection; analyzed regulatory penalties and other violation losses to reduce operational risk losses caused by violations. The Bank conducted multi-dimensional risk monitoring over institutions, business activities and customers for routine monitoring of operational risk; made greater use of the external data, sorted out a list of customers with potential risks identified by other financial institutions, and carried out risk screening and subsequent countermeasures to prevent risk contagion; continued to promote the application of operational risk management tools, strengthened statistics, analysis and reporting of violation losses and gathered data on operational risk losses to develop key risk indicators; strengthened IT risk management and carried out information technology risk assessment, with a view to playing the role of the second line of defense.

#### 5.10.4 Liquidity risk management

Liquidity risk refers to the risk that the Bank is unable to satisfy its customers' needs for repayment of liabilities due, new loans and reasonable financing, or to satisfy these needs at a reasonable cost. The Risk Management Committee under the Board of the Bank and the Assets and Liabilities Management Committee and the Risk and Internal Control Management Committee under the senior management assume joint responsibilities for formulating policies and strategies on overall liquidity risk management.

The Bank's liquidity risk management aims to balance the relationship among "liquidity, safety and profitability", improve the liquidity management level, safeguard the sustainable and healthy development of various businesses, and implement the risk appetite featuring "prudence, rationality and soundness" of the Board of Directors, and to ensure that the Bank has sufficient funds to meet expected and unexpected capital requirements (including loan growth, deposit withdrawals, debt maturity, and changes in off-balance sheet irrevocable commitments) in a normal operating environment or under stress, so as to create a stable liquidity environment for continuing operations and promote positive interaction between liquidity management and business development. The Bank intensifies its efforts on the refined management of its assets and liabilities with emphasis on risk prevention and mitigation while promoting business development and profit growth. The Bank stresses the importance of "ensuring adequate liquidity" and flexibly manages and controls the percentage of liquidity asset portfolio with the highest efficiency. According to its own characteristics and external market environment, the Bank has formulated contingency plans to prevent potential liquidity crisis and takes effective emergency measures to control the spread of risks under liquidity crisis scenarios.

## Chapter V Management Discussion and Analysis

### 5.10 RISK MANAGEMENT (CONTINUED)

#### 5.10.4 Liquidity risk management (Continued)

According to the business development of assets and liabilities of the Bank and the liquidity position, the Bank kept a close attention on the macro regulatory policies and the situation of fund markets, and adjusted the current management strategy and the pace of funds operation in a dynamic manner in response to the impact related to stage and season factors on the liquidity position, in order to improve the ability of handling current risks. As of the end of the Reporting Period, the liquidity coverage ration of the Bank was 181.71%, while the qualified quality liquidity assets amounted to RMB137.243 billion and net cash outflow in the next 30 days was RMB75.530 billion. The net stable capital ratio was 102.33% at the end of September 2020, while the available stable capitals reached RMB777.431 billion and the required stable capitals amounted to RMB759.702 billion. As of the end of 2020, the net stable capitals of the Bank was 102.09%, while the available stable capitals reached RMB770.441 billion and the required stable capitals amounted to RMB754.670 billion.

#### 5.10.5 Interest rate risk management

Interest rate risk refers to the risk of fluctuation in interest rates which results in adverse impact on the financial position of the Bank. Interest rate risk of the Bank primarily arises from the structural mismatch of maturity dates or re-pricing periods for our banking portfolio. Such structural mismatch of durations may cause the Bank's net interest income to be affected by changes in the prevailing interest rate. In addition, different pricing benchmarks for different products may also lead to interest rate risk for our assets and liabilities within the same re-pricing period. Currently, the Bank primarily measures its exposure to interest risk in account books through methods such as gap analysis, scenario analysis and stress testing. The Bank manages its interest rate risk exposure primarily by adjusting the duration of our banking portfolio based on its assessment of potential changes in the interest rate environment.

The Bank's financial assets and liabilities are mainly denominated in RMB. As the benchmark interest rates for RMB deposits and loans are determined by the PBOC and the RMB loan prime rate (LPR) is released by the National Interbank Funding Center upon the authorization of the PBOC, the Bank follows the interest rate policies issued by the PBOC when carrying out deposit taking and lending activities.

In 2020, the Bank deepened its strategic transformation, proactively coped with interest rate liberalization and increased its efforts in optimizing asset-liability structure and customer structure. First, the Bank strengthened loan pricing management in an effort to improve its risk pricing capability and return on loans. Second, the Bank promoted the rapid development of its intermediary business and expanded the revenue channels of the intermediary business. Third, the Bank strengthened the analysis of customers' comprehensive contribution using data from management accounting, thus effectively improving its pricing management. Fourth, the Bank conducted regular stress tests for interest rate risk in its account books, followed by responding strategies to effectively improve its capability to prevent interest rate risks.

## Chapter V Management Discussion and Analysis

### 5.10 RISK MANAGEMENT (CONTINUED)

#### 5.10.6 Exchange rate risk management

Exchange rate risk is the risk of loss in the Bank's earnings arising from the duration mismatch of over-bought and over-sold current or forward positions in a particular foreign currency and non-RMB denominated asset and liability due to adverse changes in exchange rate. The Bank's foreign currency assets and liabilities are mainly denominated in U.S. dollars, while the rest are denominated in Euros, Hong Kong dollars, Japanese yen, etc.

The Bank measured its exchange rate risk through qualitative and quantitative analyses. The major methods included gap analysis, duration analysis, exposure analysis, VAR analysis, stress testing and back testing etc. In order to maintain its exchange rate risk within an acceptable range, the Bank implemented stringent limit-based management measures, primarily including trading limits, risk limits, foreign exposure limits and stop loss limits.

The spot and forward foreign exchange transactions of the Bank are mainly transactions conducted on behalf of customers. They are effected by way of "back-to-back" square trading that avoids exchange rate risk to a large extent. Under the new normal of bilateral exchange rate fluctuations of RMB, the Bank will maintain reasonable proprietary position exposures in line with the Bank's limit-based management within the limit of combined exposures approved by the State Administration of Foreign Exchange. In addition, the Bank proactively utilized derivatives to prevent exchange rate risk.

#### 5.10.7 Reputation risk management

Reputational risk refers to the risk of the Bank being negatively evaluated by stakeholders due to the Bank's operations, management and other activities or external events.

Reputational risk management, as an important part of the Bank's corporate governance and comprehensive risk management systems, covers all behaviors, business activities and business areas of the Bank and its subsidiaries. The Bank has developed reputational risk management measures and requirements to actively and effectively prevent reputational risk and cope with reputation events, with a view to minimizing the resulting losses and negative impacts. The Bank prioritizes risk prevention and focuses on monitoring, analysis and early warning of public opinions in its daily operation. In addition, the Bank quickly resolves any misunderstanding or misinterpretation of information with an effective management system. Meanwhile, the Bank actively participates in social welfare undertakings and public activities to live up to its corporate social responsibility, in an effort to build a sound corporate image. In 2020, the Bank effectively managed its reputation risk. There is no reputation risk incident occurred throughout the year. The Bank maintained a good relationship with the media, and the media provided favorable overall feedback.

## Chapter V Management Discussion and Analysis

### 5.10 RISK MANAGEMENT (CONTINUED)

#### 5.10.8 Compliance risk management

Compliance risk refers to the risk that commercial banks may be subject to legal sanctions, regulatory punishments, major financial losses, or reputation damage as a result of their violation of laws and regulations, rules and criteria.

The Board of Directors of the Bank takes the ultimate responsibility for the compliance of the Bank's operation activities. The Risk Management Committee under the Board of Directors monitors compliance risk management effectively. The Board of Supervisors is responsible for supervising the performance of the Board of Directors and the senior management of their duties on compliance management. The senior management is responsible for managing compliance risk, conducting regular assessment on compliance risk and submitting compliance risk management report to the Board. The Bank has established a robust compliance risk management system and organizational structure, forming three defense lines at front, middle and back offices interactive with each other, and the vertical double-line reporting system amongst the head office, branches and sub-branches. It was also able to constantly improve the compliance risk management system and mechanism as well as the risk management level and efficiency so as to ensure effective management and control of compliance risk.

During the Reporting Period, the Bank strived to put internal control as its priority, and established the philosophy of facilitating development through compliance. The Bank constantly implemented various requirements of external regulatory authorities, and strengthened the establishment of internal control system. Hence, the compliance risk management mechanism operated effectively, with favorable comments coming from external regulatory authorities. In 2020, the Bank launched special campaigns such as "Review on Implementing Rectification of Irregularities in the Banking Market", developed the assessment on compliance and risk management for 2020, the assessment on anti-money laundering work for 2020 and education on case warning, and carried out business process analysis and internal balanced system construction to actively promote the establishment of compliance culture, and continued to improve its internal rules and regulations, optimize the compliance risk identification and assessment process, strengthen accountability system for non-compliance, and increase the support for legal compliance review and product innovation, thereby offering protection for the operation of the Bank in compliance with laws.

#### 5.10.9 Anti-money laundering management

The Bank attached great importance to anti-money laundering and strictly complied with relevant laws and regulations aiming at preventing and controlling money laundering activities, with sound measures vigorously carried out across the Bank.

## Chapter V Management Discussion and Analysis

### 5.10 RISK MANAGEMENT (CONTINUED)

#### 5.10.9 Anti-money laundering management (Continued)

During the Reporting Period, the Bank put into practice the principle of “laying emphasis on risks, management, quality and effects” by applying it to anti-money laundering as well, promoted consolidation of resources by various business departments to effectively strengthen concerted efforts in anti-money laundering. Based on the thinking of establishing “systematic models for capturing indicators of the characteristics of cases”, the Bank collected typical cases of money laundering and their upstream criminal cases through multiple channels, and conducted analysis to sort out the characteristics and fund transaction patterns of money laundering activities for various types of crimes, so as to expand the indicators for self-monitoring of irregular transactions. Through designing, verifying, launching, evaluating and enhancing its models, the Bank adopted a full life cycle management of the monitoring model.

Currently, under the increasingly complex international economic and financial conditions, the ways and means of money laundering are becoming more subtle and diverse as information technology, artificial intelligence and internet technology rapidly develop. Anti-money laundering is facing increasingly severe challenges. The Bank will proactively adopt its risk-based anti-money laundering methods to continue to strengthen the internal control mechanisms and to raise the level of money laundering risk prevention and control.

### 5.11 INFORMATION TECHNOLOGY

During the Reporting Period, in terms of information technology, the Bank has centered on the strategic tasks of digital transformation, focused on the construction of scientific and technological services and the stable operation of key infrastructure, continued to improve its support for business continuity, and made every effort to prevent and control the epidemic and resume work in an orderly manner, keeping the Bank’s information system to offer continuous and effective services.

First, the application of big data has achieved initial results. Focusing on the goals of the digital banking system construction, using big data and artificial intelligence, the Bank developed targeted customer marketing models, built corporate knowledge maps, advanced the early warning and investigation of credit asset risk, created a marketing model based on data insights, empowered the entire process of risk control, and promoted the digital application in the entire process for all customer groups, all channels and all products, in order to achieve significant improvements in business efficiency, customer experience and risk control capabilities.

Second, technology empowerment drove business innovation and development. Focusing on the strategic planning of digital transformation, the Bank has actively explored new processes, new frameworks, and new technologies for the development of information systems, and promoted the deep integration of finance and technology, as well as the innovation of financial technology products; built a “Treasury and Information Link” (財資通) platform to improve bank-government, bank-enterprise cooperation; continued to expand and improve the “Trader” (交易家) platform to enrich the functions of the cash management platform; built a “Smart Micro-Loan” platform to support the diversified flow of micro-loan business.

## Chapter V Management Discussion and Analysis

### 5.11 INFORMATION TECHNOLOGY (CONTINUED)

Third, technological support and guarantee capabilities have been further improved. The Bank has started the operation of the headquarter base data center that has obtained the national A-level computer room certification to complete the migration of various production information systems; simultaneously improved the construction of the emergency disaster recovery system, and implemented the real exercise in response to emergency; built and used a visual early warning analysis platform to build network security system of defense-in-depth to ensure the safe and stable operation of the information system throughout the year. It also actively leveraged science and technology to assist the smooth transition and safe operation of the business of newly established institutions outside the province, providing scientific and technological support for cross-regional development.

### 5.12 SOCIAL RESPONSIBILITY

2020 marked the 15th anniversary of the establishment of Huishang Bank. The Bank has always actively fulfilled its social responsibilities, winning universal good appraisal from all walks of life with a number of awards and honors. The Bank ranked the 48th in the “2019 China Corporate Social Responsibility Rankings” released by Southern Weekly, ranking the 9th in the national banking industry and the first among city commercial banks. During the Reporting Period, the Bank honored the mission of “achieving dreams for customers, creating value for shareholders, promoting employee development and assuming responsibility of citizenship”, actively performed social responsibilities, coordinated shareholders, customers, employees and other stakeholders, achieving the full improvement of economic, environmental and social benefits. In the face of the outbreak of the COVID-19 pandemic and flood, the Bank implemented policies on “ensuring stability on the six fronts” and “security in the six areas”. The Bank strengthened the role of green credit in leverage adjustment by promoting green credit to support low-carbon economy; made targeted efforts in promoting inclusive finance to reduce corporate financing costs and support the development of small and micro enterprises; broadened the coverage of financial services to support the development of “Three Dimensional Rural Issues” and contribute to battle against poverty alleviation and secure a decisive victory in prosperity for all. In order to firmly guard against systemic risks, the Bank continuously developed a “secure Huishang Bank”, focused on building a comprehensive, full-process risk management system covering all employees to enhance its risk management capabilities. The Bank advocated green office, energy saving and environmental protection to reduce the negative effects of its daily operation on the environment as much as possible. It vigorously advocated public spirit, continuously promoted concepts and activities on people’s livelihood, environmental protection and charities and called on employees to practice environmental protection and charities as volunteers, fully displaying the image of the Bank as an excellent corporate resident. The Bank has also been concerned about the physical and mental health of its employees, and has created a positive and harmonious corporate culture by adhering to people-oriented and focusing on employee capacity building. The Bank focused on digital transformation as the main line with the institutional business as the body and corporate light-asset business and digital retail business as two wings to develop into a dominant bank serving local economies, a preferred bank for regional customers, a value bank returning shareholders and a quality bank being proud by employees as well as a first-class digital city commercial bank with intelligent, considerate, professional and prompt services.

## Chapter V Management Discussion and Analysis

### 5.13 CONSUMER PROTECTION

In 2020, the Bank continued to strengthen the construction of the protection system for consumer rights and interests, improved the effectiveness and scientificity of the performance of its core functions such as complaint management, information disclosure, and consumer information protection. It has successively formulated or revised the Management Measures for the Protection of Consumer Rights and Interests of Huishang Bank Consumption, etc., to form a comprehensive, systematic and complete consumer rights protection system. At the same time, the Bank deepened the service concept of “customer-centric”, implemented the management of key complaints in different categories, promoted the traceability and resolution of complaints, thus effectively improving customer service experience and satisfaction.

In line with the requirements for the normalization of epidemic prevention and control, the Bank further consolidated the “three-in-one” financial publicity and education system, and established a normalized publicity and education mechanism through the “Discussing Risks by Case” column of its official account and the establishment of contacting sites for external publicity and education; relying on online channels such as video accounts and official accounts, it has continued to innovate the forms of financial knowledge publicity and education, strengthened the education for key and special customer groups, so as to effectively help financial consumers to establish a correct concept of consumption and risk, and build a distinctive brand of publicity and education.

### 5.14 PROSPECTS AND MEASURES

#### 5.14.1 Trend of economic development

##### 1. *Prospect on the global economy*

According to the latest outlook of the International Monetary Fund on 26 January 2021, the global economy is projected to grow 5.5% in 2021 and the global economic growth will speed up in the second half, but the economic recovery in different countries will be differentiated. In respect of regions, advanced economies will resume positive growth in the GDP and the economy of the United States and Japan is likely to recover to the level at the end of 2019 in the second half. The GDP of emerging markets and developing economies will speed up in recovery. Thanks to the remarkable results in the prevention and control of the pandemic, China’s economy is likely to lead the world. Under the pressure of normalized prevention and control of the pandemic, the international environment for the global economic development will be more complicated and changing in 2021. Governments of all countries will face severe challenges in public health, debts management, budgetary policies, structural reform and other sectors.

##### 2. *Economic development trend in China*

2021 is the first year for China to implement the “14th Five-Year Plan”, in which, the Chinese government will continue to expand domestic demand, support innovation and development, and improve the business environment. The economic growth rate is likely to return to or exceed its normal levels. With the normalization and persistence of epidemic prevention and control, continuity, stability and sustainability in macroeconomic policies will be kept; a prudent monetary policy will be more flexible, accurate, reasonable and appropriate, to ensure reasonable and sufficient liquidity, and make the growth rate of money supply and social financing scale basically match the nominal economic growth rate; the proactive fiscal policy will be quality improved and more sustainable, to cater to the needs of stable growth and risk prevention.



## Chapter V Management Discussion and Analysis

### 5.14 PROSPECTS AND MEASURES (CONTINUED)

#### 5.14.2 Measures of the Bank

**1. *Planning layout on new assets with serving real economies as the origin***

Firstly, conducting layout on assets in emerging industries. With the focus on eight emerging industries, including the new-generation information technology, high-end equipment manufacturing, intelligent and new energy vehicles, the Bank will boost product innovation in credit, syndicated loans, supply-chain finance, bank bills and letters of guarantee to meet financing demands. Secondly, conducting layout on institutional assets. On the prerequisite of not increasing implicit debts of local governments, the Bank will actively support the renovation of old communities, new type of urbanization, rural revitalization, future communities and other infrastructure projects. Thirdly, conducting layout on consumption assets. The Bank will focus on the new round of rural subsidy program for vehicles, replacement of existing household appliances and furniture, new energy vehicles as well as demands in education, culture, entertainment and other new sectors. It will optimize customer experience through scenario innovation and cooperation with external platforms.

**2. *Promoting the development of new businesses with the new pattern of dual circulation as the orientation***

Firstly, promoting the supply-chain finance business. Based on the target of on-line, digitalization and integration, the Bank will gradually establish and improve the system of supply-chain financial products covering receivables, prepayments, inventories and scenario-based finance. Secondly, facilitating the wealth management business. The Bank will advance the establishment of differentiated and featured wealth management service systems based on channels, services, pricing and other factors. Thirdly, pushing forward the capital market business. The Bank will focus on listed companies, M&As finance and other industries and speed up in connecting the capital market to actively develop all-dimensional and systematic service capabilities.

**3. *Vigorously serving new customers with high-quality development as the main line***

Firstly, serving institutional customers. Centering on new infrastructure and new type of urbanization and based on legal compliance, the Bank will comprehensively adopt loans, bonds issuance, leasing, combination of equity and debt, investment and loan linkage and other financing means to provide differentiated financing services. Secondly, serving industrial customers. Focusing on integrated circuits, new displays, new materials, artificial intelligence and other emerging industries, the Bank will strengthen policy study, design comprehensive financial service plans on “loans + bonds + equities + agency + leasing + advisory” and increase financial supports to the advanced manufacturing industry. Thirdly, serving retail customers. Based on the demands of urban and rural residents for consumption upgrading, wealth appreciation and financing, the Bank will extend the scope and depth of services for retail customers through product iteration, scenario expansion, payment upgrading and other means.

## Chapter V Management Discussion and Analysis

### 5.14 PROSPECTS AND MEASURES (CONTINUED)

#### 5.14.2 Measures of the Bank (Continued)

##### 4. *Tracking and advancing new technologies with the digital bank as the target*

Firstly, accelerating the consolidation of technological resources. From the dimensions of the basic end, the platform end and the application end, the Bank will comprehensively and vigorously make breakthroughs in key areas and conduct benign interaction to speed up in advancing the application of big data technologies and the construction of platforms and systematically promote the construction of a digital bank. Secondly, empowering business scenarios. For wealth and asset management, cash management, On-Line Dealer, intelligent micro loans and comprehensive financial services for individuals, the Bank will develop the new “five major platforms” through systematic platform supports, perfect business functions and rapid innovation and iteration to lead the rapid business development.

##### 5. *Effectively responding to the impact of the COVID-19 pandemic*

Currently, the external environment is quite austere due to the uncertainties in the development of the pandemic, but the pandemic will not have significant effects on the long-term stable operation of the Bank. Firstly, the Bank will “prioritize stability” to maintain a stable market share rather than seeking expansion blindly; and it will maintain stable asset quality and further highlight risk prevention and control. Secondly, the Bank will maintain “seeking progress amid stability”. It will consolidate results and solve problems in development and intensify its position among leading city commercial banks. Thirdly, the Bank will focus on digital transformation as the main line, vigorously develop online financial services and speed up in digital transformation to build a first-class digital city commercial bank with intelligent, considerate, professional and prompt services.

## Chapter VI Report of the Board of Directors

The Bank presents the annual report and audited financial statements of the Bank and its subsidiaries for the year ended 31 December 2020.

### 6.1 PRINCIPAL BUSINESS

The Bank's principal activities in the PRC include the taking of deposits from corporate and retail customers, the granting of loans using the deposits received, and the conducting of capital business, which includes money market activities, investment and trading activities and transactions on behalf of customers.

### 6.2 PARTICULARS OF BUSINESS

#### 6.2.1 External environment faced by and business and operation development of the Bank

##### 1. *Analysis of the environment of our main operating areas*

In 2020, facing the sudden coronavirus epidemic, rare flood disasters in history and the complex and austere domestic and overseas situation, the economic operation of Anhui Province rapidly recovered and stabilized and major targets and tasks have been well accomplished. The growth rate of key indicators outperformed the national level and was leading in China. The "13th Five-year" Plan concluded successfully. In 2020, the GDP of Anhui Province reached RMB3,868.06 billion, representing an increase of 3.9% from the previous year. The added value of the industries above the designated scale increased by 6% and the general public budget revenue increased by 1% with increasingly enhanced development vitality and momentum. Anhui Province earnestly implemented key national policies on epidemic prevention and control and economic and social development, solidly "ensured stability on six key fronts" and fully implemented the task of maintaining "security in six key areas", achieving continuous economic stability and recovery. In 2020, key indicators on economic development maintained at a reasonable range and important progress was achieved in high-quality development.

##### 2. *Impact of the COVID-19 pandemic*

In 2020, the sudden coronavirus epidemic caused unprecedented impacts on the economy of China and even the whole world. Market entities, micro, small and medium enterprises (MSMEs) in particular, faced certain operational difficulties and risks on the financial industry, such as banks, have accumulated. Based on national epidemic prevention and control and key deployments on work and production resumption, regulatory authorities on the banking industry introduced supporting plans on credit loans to micro and small enterprises, staged postponement of repayment of principal and interest for loans to MSMEs and other supporting policies to fully hedge the negative effects of the epidemic. During the Reporting Period, the Bank strictly implemented regulatory policies, adopted various measures, such as appropriate reduction of the interest rate of loans, reduction or waiver of compound or penalty interest, postponement of repayment of principal and interest as well as loan renewal without repayment of principal, to vigorously support work and production resumption of enterprises and the development of real economies. However, considering the certain lag in the transmission of the impact of the epidemic on enterprises and individuals to the quality of assets, the operational risks of certain customers have not been fundamentally resolved and the credit risk has not been fully released. Certain loans after work and production resumption may decline subsequently.

## Chapter VI Report of the Board of Directors

### 6.2 PARTICULARS OF BUSINESS (CONTINUED)

#### 6.2.1 External environment faced by and business and operation development of the Bank (Continued)

##### 3. *Business performance of the Bank in 2020*

Firstly, serving real economies delivered satisfactory results. During the Reporting Period, the Bank implemented the deployment on “ensuring stability on six key fronts” and maintaining “security in six key areas”, prioritized serving floods prevention and work and production resumption with financial means and supported the prevention of epidemic and floods in Anhui Province through various means. The new credit supply ranked the 1st in Anhui Province. It proactively advanced special loans, promoted reduced charges and profits and vigorously supported the “two increases and two controls” and the issuing of loans to private enterprises and the manufacturing industry.

Secondly, business development advanced to a new level against the trend. The asset scale of the whole Bank reached RMB1.27 trillion and the loan and deposit growth hit a new high. Its market share of corporate deposits continuously ranked first in the province it located. It also ranked the first in the province in terms of loans to technology-based companies and the number of such companies and achieved outstanding results in the online transformation of trading bank and small and micro businesses with increasingly enhanced brand value.

Thirdly, operational deployment achieved significant breakthroughs. The four new branches outside the province successfully opened and Huishang Bank Wealth Management realized a steady start. The Bank has 6 investee and controlling subsidiaries and the business development path has been further expanded.

Fourthly, basic management was consistently consolidated. The Bank carried out strict interbank loan credit and investment projects management and improved the business management system and operation mechanism. It continuously advanced digital operation and intelligent operation and has been awarded an outstanding company in the annual evaluation on the payment system in Anhui Province for ten consecutive years.

##### 4. *Analysis of key financial performance indicators of the Bank during the year*

Key financial data and key regulatory indicators adopted by the Bank reflect the Bank’s operating results, profits and risk control level in 2020. During the Reporting Period, the Bank achieved satisfactory performance in its various financial data as compared with the corresponding period of last year, and all of its supervisory indicators met regulatory requirements. See details in Chapter II “Summary of Accounting Data and Business Data” in this annual report.



## Chapter VI Report of the Board of Directors

### 6.2 PARTICULARS OF BUSINESS (CONTINUED)

#### 6.2.1 External environment faced by and business and operation development of the Bank (Continued)

##### 5. *Environmental policy, performance and compliance with laws and regulations*

###### (1) *Environmental policy and performance of the Bank*

The Bank supported national industrial policies and environmental protection policies, practiced green finance concept, conserved resources, protected and improved natural ecological environment, and supported the environmental and sustainable development. As at the end of 2020, the green loan balance of the Bank amounted to RMB20.916 billion, representing an increase of RMB6.098 billion or 41.16% as compared with the beginning of the year. Green loans of the Bank are granted for 5 primary industries, namely energy conservation and environmental protection, clean production, clean energy, ecological environment and green upgrading of infrastructure, 18 secondary industries, including high-end and energy-saving equipment manufacturing, and 48 tertiary industries, including green construction materials manufacturing. All of the five-level classification of green loans is normal. Further efforts were made to provide an enhanced credit support to the advanced manufacturing and modern service industries, and to regard the fulfillment of environmental and social responsibilities by our customers and implementation of industrial environmental management regulations by them as the important basis for our credit review and approval. The green credit assessment and evaluation system was set up to directly link green loan indicators with annual assessment of our branches. The green credit assessment and evaluation results were included in the appraisal factors for our branches, individual performance and remuneration rewards and post promotion.

###### (2) *Compliance with laws and regulations by the Bank*

All routine operating activities of the Bank were conducted on the basis of strict compliance with existing laws and regulations and all transactions complied with laws and regulations with the support of the corresponding legal documents. The Bank continued to improve and optimize the basic systems and policies on legal risks of the whole Bank. It always adhered to the concept of compliance operations. With a risk appetite featuring “prudence, rationality and soundness” and a compliance concept of “honesty, integrity, observance of law and compliance”, the Bank strictly followed regulatory policies in business and operation management activities and implemented regulations and policies in all processes and links of business. The Bank actively carried out anti-money laundering management and prevented money laundering activities. The Bank vigorously refined the management of money laundering risks, self-assessment of money laundering risks, submission of anti-money laundering data, and categorized management of money laundering risks of customers, thus improving the anti-money laundering internal control mechanisms and consolidating the foundation of anti-money laundering internal control. The Bank actively participated in the publicity activities on anti-money laundering organized by regulators and anti-money laundering surveys and researches, in order to encourage its staff to learn and think about as well as to write and reflect on anti-money laundering laws and regulations and boost the ability of its staff in performing anti-money laundering duties.

## Chapter VI Report of the Board of Directors

### 6.2 PARTICULARS OF BUSINESS (CONTINUED)

#### 6.2.1 External environment faced by and business and operation development of the Bank (Continued)

##### 5. *Environmental policy, performance and compliance with laws and regulations (Continued)*

###### (3) *Relationship between the Bank and its employees*

###### a. Remuneration of employees

The Bank has established a unified remuneration management structure and system and continuously optimized management on the remuneration and benefits of employees. Following the principle of prioritizing efficiency while ensuring fairness and highlighting the protection of grassroots and front-line employees with remuneration resources, the Bank has ensured the basic living standards of its employees, and activated the incentive effect of appraisal to maintain the stability of staff teams and enhance external competitiveness and attractiveness of remuneration of the Bank.

###### b. Staff employment

The Bank has enhanced staff employment management by formulating a standardized set of recruitment criteria and procedure regulating internal recruitment, deployment and other aspects of internal staff management. The Bank has also expanded efforts in recruiting through external channels such as schools, other industry players and headhunters. The Bank has adopted strict procedures in credential checks, written tests, interviews and background checks to ensure that the recruitment process is open, just and fair.

###### c. Staff training and career development

For staff learning and development and the education and training for them, the Bank has established online and offline learning and training platforms covering all scenarios including the PC end and the mobile end, providing employees with diversified learning and promotion opportunities with different categories and levels through various channels and continuously improved the high-efficient and scientific education and training management system. In 2020, the Bank actively responded to the conflict between the epidemic and trainings, optimized online training platforms and enriched mobile learning materials. During the Reporting Period, the "Zhiniao" mobile learning platform recorded 197,500 person-times on learning during the year, representing a year-on-year increase of 57.33%.

In respect of staff career development, in 2020, the Bank further enhanced the management of staff career development, continuously advanced and optimized the appraisal and appointment in a non-management order and provided employees with different occupational channels and development opportunities to vitalize existing human resources. It innovatively established the position capability model and provided scientific basis for the matching of employees and positions, employees cultivation and performance evaluation of the Bank and further diversified the methods for staff career development.

## Chapter VI Report of the Board of Directors

### 6.2 PARTICULARS OF BUSINESS (CONTINUED)

#### 6.2.1 External environment faced by and business and operation development of the Bank (Continued)

##### 5. *Environmental policy, performance and compliance with laws and regulations (Continued)*

###### (4) *Relationship between the Bank and its customers*

See details in section 5.9 “Management Discussion and Analysis – Business Operation” in this annual report.

#### 6.2.2 Subsequent events

For subsequent events of the Bank from 1 January 2021 to the Latest Practicable Date, please refer to Note 54 to the financial statements. Save as disclosed above, from 1 January 2021 to the Latest Practicable Date, there has not been any non-financial event that may cause material effects on the results of the Bank.

#### 6.2.3 Future business development trends of the Bank

See details in section 5.14 “Management Discussion and Analysis – Prospects and Measures” in this annual report.

#### 6.2.4 Major risks and uncertainties faced by the Bank

See details in section 5.14 “Management Discussion and Analysis – Risk Management” in this annual report.

### 6.3 RESERVES

Please refer to the financial statements for details of the movements in the reserves of the Bank.

### 6.4 RESERVES AVAILABLE FOR DISTRIBUTION

Please refer to the financial statements for details of the reserves available for distribution as at 31 December 2020.

### 6.5 FIXED ASSETS

Please refer to Note 26 to the financial statements for details of movements in the fixed assets of the Bank as of 31 December 2020.

### 6.6 HOLDING AND TRADING OF SHARES OF OTHER LISTED COMPANIES

During the Reporting Period, the Bank accepted 9,260,200 stocks of Jiangsu Guoxin Corp. Ltd. (stock code: 002608) as pledged assets.

Save as disclosed above, the Bank has not held nor traded shares of other listed companies during the Reporting Period.

## Chapter VI Report of the Board of Directors

### 6.7 PURCHASE, SALE OR REDEMPTION OF THE BANK'S LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Bank by the Bank or its subsidiaries during the Reporting Period.

### 6.8 PRE-EMPTIVE RIGHTS

The Articles of Association of the Bank does not provide for pre-emptive rights. There are no pre-emptive rights for the shareholders of the Bank.

### 6.9 RETIREMENT BENEFITS

In addition to these basic social pension schemes, employees of the Bank participate in an enterprise annuity plan established by the Bank according to the state enterprise annuity system. The Bank contributes to the annuity plan based on certain percentages of the employees' gross salaries. Provided that employees are dismissed or cancelled the employment contract due to the violation of laws or disciplines, unvested enterprise annuity contributions will be transferred back to the Bank's enterprise annuity account. The amount of forfeited contributions is not material. Please refer to Note 37 to the financial statements for details of the retirement benefits provided to employees by the Bank.

### 6.10 MAJOR DEPOSITORS/BORROWERS

The Bank is not dependent too much on a single major depositor/borrower. As at the end of the Reporting Period, the operating income generated from the five largest depositors/borrowers of the Bank represented an amount not exceeding 30% of the total operating income of the Bank. The directors of the Bank and its connected persons did not have any significant interest in the aforementioned five largest depositors/borrowers.

### 6.11 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Please refer to Chapter VIII "Profile of Directors, Supervisors, Senior Management, Employees and Institutions" in this annual report.



## Chapter VI Report of the Board of Directors

### 6.12 INTERESTS AND SHORT POSITIONS HELD BY THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE BANK UNDER HONG KONG LAWS AND REGULATIONS

As of 31 December 2020, the following directors, supervisors and chief executives of the Bank and their respective associates had the interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Hong Kong Listing Rules. The table below reflects the number of shares, any interests or short positions in underlying shares and debentures held by the directors, supervisors or chief executives of the Bank:

Name	Position	Class of Shares	Status	Number of shares (share) (Long position)	Percentage in issued shares of relevant class (%)	Percentage in all issued ordinary shares (%)
Dai Peikun	Independent Non-executive Director	Domestic Shares	Interest of the Spouse	3,079	0.0000	0.0000
He Jiehua <sup>(1)</sup>	Chairman of the Board of Supervisors, Employee Supervisor	Domestic Shares	Interest of the Spouse	8,928	0.0001	0.0001
Tang Chuan	Employee Supervisor	Domestic Shares	Beneficial Owner	56,009	0.0006	0.0005
Zhong Qiushi	Employee Supervisor	Domestic Shares	Beneficial Owner	32,133	0.0004	0.0003
Sun Zhen <sup>(1)</sup>	Employee Supervisor	Domestic Shares	Beneficial Owner	38,085	0.0004	0.0003
Zhang Youqi <sup>(1)</sup>	Former Employee Supervisor, former chairman of the Board of Supervisors	Domestic Shares	Beneficial Owner	25,252	0.0003	0.0002
Yang Mianzhi <sup>(1)</sup>	Former external Supervisor	Domestic Shares	Beneficial Owner	6,613	0.0001	0.0001

Note: (1) For details of the position changes of Mr. He Jiehua, Mr. Sun Zhen, Mr. Zhang Youqi and Mr. Yang Mianzhi, please refer to "Changes in Directors, Supervisors and Senior Management of the Bank" under section 8.2 of this annual report.

Save as disclosed above, as of 31 December 2020, the Bank was not aware of any other directors, supervisors and chief executives of the Bank and their respective associates having any interests or short positions in any shares, underlying shares and debentures of the Bank or its associated corporations.

## Chapter VI Report of the Board of Directors

### 6.13 DIRECTORS AND SUPERVISORS' RIGHTS TO PURCHASE SHARES OR DEBENTURES

During the Reporting Period, none of the directors, supervisors of the Bank or their respective spouses or children under the age of 18 years acquired any right by the way of purchase of shares or bonds of the Bank or exercised any such related rights; and none of the Bank or any of its subsidiaries had made any arrangements to enable the directors, supervisors of the Bank or their respective spouses or children under the age of 18 years to obtain such rights in any other body corporate.

### 6.14 DIRECTORS' INTERESTS IN COMPETING BUSINESSES

None of the directors of the Bank had any interest in any business that constitutes or may constitute, directly or indirectly, a competing business of the Bank.

### 6.15 FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS AMONG DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Save as disclosed in this annual report, there are, to the knowledge of the Bank, no other relationships among the directors, supervisors and senior management of the Bank, including financial, business, family or other material or related relationships.

### 6.16 DIRECTORS AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

During the Reporting Period, no director or supervisor of the Bank (or its connected entities) had any direct or indirect significant interest in any transaction, arrangement or contract of significance entered into by the Bank or other subsidiaries. None of the directors and supervisors of the Bank has entered into service contracts with the Bank that cannot be terminated by the Bank within one year without payment of compensation (other than statutory compensation). During the Reporting Period, none of the Bank or its subsidiaries had any arrangement that enables the directors and supervisors of the Bank to acquire benefits by acquiring shares in and debentures of companies or any other corporate body.

### 6.17 PENALTIES AND INVESTIGATIONS OF DIRECTORS AND SUPERVISORS OF THE BANK

During the Reporting Period, no director or supervisor of the Bank has been subject to penalties or investigations by competent authorities causing a material impact on the operations of the Bank.

## Chapter VI Report of the Board of Directors

### 6.18 CONNECTED TRANSACTIONS

In the ordinary course of business, the Bank provides commercial banking services and products to the public in China, including the Bank's directors, supervisors and/or their respective associates. During the Reporting Period, connected transactions carried out between the Bank and connected persons were conducted under normal commercial principles, which were not favorable than the conditions for similar transactions with non-connected persons. The transaction terms were fair and reasonable and in the interests of the Bank and shareholders as a whole. For a series of connected transactions with connected persons (as defined under the Hong Kong Listing Rules) conducted by the Bank, all complied with the aforementioned conditions for connected transactions and were exempted from the requirements of reporting, announcement, annual review, circular and independent shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

During the Reporting Period, the Bank continuously strengthened the management of related party (connected) transactions to prevent unfair prices and credit methods of related party (connected) transactions. It strictly performed approval and filing procedures on related party (connected) transactions, regularly organized and conducted special audit on related party (connected) transactions and enhanced the internal supervision mechanism to practically improve the refined management of related party (connected) transactions of the Bank. During the Reporting Period, the Bank's independent non-executive directors issued independent opinions on the Bank's related party transactions.

The Note 51 to the financial statements discloses the related party transactions of the Bank in accordance with the International Accounting Standards. The transactions disclosed therein between the Bank and Zhongjing Xinhua Asset Investment Management Company Ltd. and Anhui Energy Group Co., Ltd. constitute the connected transactions of the Bank under the requirements of Chapter 14A of the Hong Kong Listing Rules and part of the connected transactions conducted by the Bank in the ordinary course of business, and are exempted from compliance with the reporting, announcement, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

### 6.19 MATERIAL LITIGATION AND ARBITRATIONS

Insofar as the Bank is aware, as at the end of December 2020, the Bank, as a plaintiff, was involved in the following litigation proceeding in its regular course of business: the number of material pending litigation and arbitrations involving the Bank amounted to 39, with a total amount of RMB2.203 billion. The number of pending litigation, to which the Bank is a defendant, each with an amount of more than RMB0.5 million, amounted to 8, totalling approximately RMB355 million. The Bank made full provisions for doubtful accounts of loans involved in the cases above according to expected losses prudently, which will have no material adverse effect on the Bank's financial position and operating results.

## Chapter VI Report of the Board of Directors

### 6.20 ASSET ACQUISITION, DISPOSAL AND REORGANIZATION

Upon consideration and approval at the meeting of the Board held on 7 January 2020 and the 2020 first extraordinary general meeting held on 22 February 2020 respectively, the Bank proposes to acquire part of assets and liabilities of Baoshang Bank Co., Ltd. ("Baoshang Bank") and establish or acquire directly four branches of Baoshang Bank. For details, please refer to the Bank's announcements dated 7 January 2020 and 22 February 2020 and the circular dated 7 February 2020. According to the Announcement on the Transfer of Related Business, Assets and Liabilities by Baoshang Bank Co., Ltd. issued by the Takeover Group of Baoshang Bank on 30 April 2020, the Bank has acquired relevant businesses of Beijing branch, Shenzhen branch, Chengdu branch and Ningbo branch and branches of the former Baoshang Bank outside the Inner Mongolia Autonomous Region as confirmed by the Bank. Accordingly, the Bank established the Beijing Branch, Shenzhen Branch, Chengdu Branch and Ningbo Branch of Huishang Bank and the above four branches opened on 25 May 2020 officially. On 23 November 2020, the Bank (as transferee) entered into the Acquisition and Takeover Agreement with Baoshang Bank (as transferor), the Takeover Committee of Baoshang Bank and DIFM in relation to the acquisition and takeover of target businesses, target assets, target liabilities and target personnel by the Bank from Baoshang Bank. Please refer to the Bank's announcement dated 27 November 2020 and note 47 to the financial statements for details.

During the Reporting Period, some assets of the Bank had been pledged to other banks and the Ministry of Finance of the PRC as collaterals for a sale and repurchase agreement and treasury deposits.

Apart from above, the Bank has no other asset acquisition, disposal or reorganization outside the normal scope of business.

### 6.21 USE OF FUNDS BY RELATED PARTIES

During the Reporting Period, neither the major shareholders nor the related parties of the Bank used any funds of the listed company for non-operating purposes, and no proceeds of the public offering were used in any unfair connected transactions.

### 6.22 REVIEW OF ANNUAL RESULTS

The financial report of the Bank prepared under International Financial Reporting Standards has been audited by Ernst & Young and a standard audit report with unqualified opinions has been issued. The Bank's Audit Committee of the Board has reviewed the results and the financial reports of the Bank for the year ended 31 December 2020. Any discrepancies between the total amount and percentages and the sum of items shown in the tables in this report are due to rounding.



## Chapter VI Report of the Board of Directors

### 6.23 PROFIT AND DIVIDENDS

The Board is required to submit the proposals in respect of dividend payments to a shareholders' general meeting for approval. The Board will, according to the relevant laws, regulations and regulatory requirements, consider whether to pay dividends and the amount of dividend payments based on the Bank's results of operations, cash flow, financial condition, capital adequacy ratios, future business prospects, statutory and regulatory restrictions and other factors that the Board of Directors of the Bank deems relevant.

The profit of the Bank for the year ended 31 December 2020 and the Bank's financial position as of that date are set out in the consolidated financial statements section of this annual report.

In accordance with the resolutions passed at the 2019 annual general meeting held on 30 June 2020, a final dividend for 2019 and a total cash dividend of approximately RMB1,908.304 million (including tax) were declared and distributed to all shareholders whose names appeared on the register of members of the Bank on 12 July 2020.

As to the 2020 profit distribution plan, the Board of Directors recommends that the Bank will not distribute dividends in 2020. The above profit distribution plan shall be submitted at the 2020 annual general meeting for approval by the Board of Directors. The Bank shall announce the relevant arrangement on the 2020 annual general meeting in due course. The Bank shall also make timely announcement if there are any changes to the said expected dividend declaration.

### 6.24 ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

In order to determine the list of shareholders who are entitled to attend and vote at the 2020 annual general meeting to be convened on 30 June 2021, the register of members of the Bank will be closed from 31 May 2021 to 30 June 2021 (both days inclusive). In order to be entitled to attending and voting at the 2020 annual general meeting, unregistered H Shareholders of the Bank shall lodge relevant share transfer documents with the H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 28 May 2021.

## Chapter VI Report of the Board of Directors

### 6.25 PUBLIC FLOAT

Based on the public information available to the Bank and to the knowledge of the Board of Directors, from April 2016 to the Latest Practicable Date, the Bank's H share public float was below 25%, the minimum level as required in Rule 8.08(1)(a) of the Hong Kong Listing Rules. On 4 January 2021, the Bank's public float increased from 15.66% to 16.08% as the Bank completed the non-public issuance of Domestic Shares under the general mandate. Please refer to the Bank's announcement dated 4 January 2021 for details. As at the Latest Practicable Date, the Bank's H share public float maintained at 16.08%.

According to the Board resolutions, the Bank will proactively promoting the initial public offering and listing of A shares so as to restore its public float as soon as practicable. For details on the public float of the Bank's H Shares, please refer to the announcements published by the Bank since 11 May 2016 in relation to the public float of the Bank's H shares.

### 6.26 TAX DEDUCTION

#### 6.26.1 Overseas shareholders

According to the "Notice on the Collection of Personal Income Tax after the Expiration of National Tax Bureau Notice [1993] No. 045" (Guo Shui Han [2011] No. 348), which was released by the State Administration of Taxation on 28 June 2011, the responsible party should withhold personal income tax by law from overseas resident individual shareholders on their dividend income deriving from shares in domestic non-foreign invested companies issued in Hong Kong. However, the overseas resident individual shareholders who hold shares of domestic non-foreign invested companies issued in Hong Kong may be entitled to the relevant favorable tax treatments based on the tax treaties between the countries in which they are domiciled and China and the tax arrangements between Mainland China and Hong Kong (or Macau).

Based on the tax regulation mentioned above, the Bank will withhold personal income tax of the dividend at 10% tax rate for the overseas individual H shareholders. However, where there are different requirements otherwise specified in relevant tax regulations and tax agreements, the Bank will follow such requirements of the tax authorities.

The Bank will withhold 10% enterprise income tax of the dividend for non-resident corporate overseas H shareholders based on the "Law of the People's Republic of China on Enterprise Income Tax" and relevant implementation rules which have been effective since 1 January 2008.

If the overseas H shareholders of the Bank have any queries regarding the tax arrangements mentioned above, please consult your tax consultants regarding the tax implications in Mainland China, Hong Kong and other countries (regions) for holding and disposing the Bank's H shares.

## Chapter VI Report of the Board of Directors

### 6.26 TAX DEDUCTION (CONTINUED)

#### 6.26.2 Mainland's shareholders of Shanghai-Hong Kong stock connect and Shenzhen-Hong Kong stock connect

Pursuant to the "Notice on the Tax Policies Concerning the Pilot Program of the Shanghai-Hong Kong Stock Connect" (Cai Shui [2014] No. 81) and the "Notice on the Tax Policies Concerning the Pilot Program of the Shenzhen-Hong Kong Stock Connect" (Cai Shui [2016] No. 127), which were jointly released by the Ministry of Finance, the State Administration of Taxation and the CSRC on 31 October 2014 and 5 November 2016, respectively, for dividends obtained by the mainland individual investors from H shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, such H-share companies shall apply to China Securities Depository and Clearing Corporation Limited (hereinafter referred to as the "CSDC") for providing the register of mainland individual investors and withhold personal income tax at 20% tax rate from mainland individual investors. While for dividends obtained by the mainland individual investors from non-H shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, the CSDC will withhold personal income tax at 20% tax rate. Individual investors may, by producing valid tax payment certificates, apply to the competent tax authority under the CSDC for tax credit relating to the withholding tax already paid abroad.

For dividend income obtained by the mainland security investment funds from shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, personal income tax shall be withheld according to the above regulations.

For dividend income obtained by the mainland corporate investors from shares listed on the Hong Kong Stock Exchange invested by them through Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, such income shall be included in their total revenue and enterprise income tax shall be withheld by law. Meanwhile, for dividend income obtained by mainland resident enterprises from holding H shares for 12 consecutive months, enterprise income tax shall be exempted by law. H-share companies listed on Hong Kong Stock Exchange shall apply to the CSDC for providing the register of the mainland enterprise investors. The H-share companies shall not withhold income tax of dividends for mainland enterprise investors and such investors shall declare and pay relevant tax themselves.

### 6.27 PERMITTED INDEMNITY PROVISIONS

The Bank has maintained appropriate director liability insurance to indemnify the directors for liabilities arising from corporate affairs.

### 6.28 DONATION

In 2020, the Bank made a total donation of approximately RMB10.83 million, providing great support to the COVID-19 pandemic control, flood control and disaster relief and rescue as well as other public welfare undertakings.

## Chapter VI Report of the Board of Directors

### 6.29 MANAGEMENT CONTRACTS

Except for the service contracts of the management of the Bank, the Bank did not enter into any other contract with any individual, company or body corporate to manage or deal with the whole part or any significant part of the Bank's business.

### 6.30 STOCK-LINKED AGREEMENTS

The Bank did not enter into any stock-linked agreement in 2020, and there was no stock-linked agreement remaining effective by the end of 2020.

### 6.31 ISSUE OF DEBENTURES

To supplement capital of the Bank and expand the sources of liabilities of the Bank to enhance the maturity matching of assets and liabilities, the Bank issued various types of debentures, the details of which are presented as follows:

**6.31.1** The Bank issued RMB4 billion of 2011 subordinated debts on 2 April 2011 in China's inter-bank bond market, with a maturity of 15 years and a fixed coupon rate of 6.55%, paid annually. The Bank has an option to redeem all of this tranche of bonds at face value on the last day of the tenth year of interest accrued of this tranche of bonds.

Claims on subordinated debts are subordinate to other liabilities but superior to the Bank's share capital. From 1 January 2013, they are qualified for inclusion as tier 2 capital in the calculation of capital adequacy ratio in accordance with "The Trial Measures for Capital Management of Commercial Banks".

**6.31.2** The Bank issued RMB0.5 billion of financial bonds on 30 July 2015 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 4.35%, paid annually. The bonds were due and redeemed on 30 July 2020.

**6.31.3** The Bank issued RMB8.0 billion of tier 2 capital bonds on 11 September 2015 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.69%, paid annually. The Bank has an option to redeem part or all of these bonds at face value on the last day of the fifth year of interest accrued of bonds, subject to the approval from relevant regulatory authorities. The bonds were fully redeemed in advance on 11 September 2020.

**6.31.4** The Bank issued RMB0.5 billion of financial bonds on 24 September 2015 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 4.10%, paid annually. The bonds were due and redeemed on 24 September 2020.



## Chapter VI Report of the Board of Directors

### 6.31 ISSUE OF DEBENTURES (CONTINUED)

- 6.31.5** The Bank issued RMB3.0 billion of financial bonds on 12 August 2016 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 3.09%, paid annually.
- 6.31.6** The Bank issued RMB1.0 billion of green financial bonds on 8 September 2017 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 4.49%, paid annually. The bonds were due and redeemed on 8 September 2020.
- 6.31.7** The Bank issued RMB4.0 billion of green financial bonds on 29 May 2018 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 4.50%, paid annually.
- 6.31.8** The Bank issued RMB9.0 billion of financial bonds on 8 March 2019 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 3.52%, paid annually.
- 6.31.9** The Bank issued RMB1.0 billion of financial bonds on 8 March 2019 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 3.80%, paid annually.
- 6.31.10** The Bank had issued perpetual bonds in China's national inter-bank bond market with an offering size of RMB10.0 billion on 3 December 2019, with a coupon rate of 4.90%, which was payable once a year. The coupon rate of the bonds may be adjusted at different intervals, subject to adjustment in every five years. In any adjusted coupon rate period, the interests of the bonds will be paid at the same prescribed interest rate. The Bank may redeem the bonds in whole or in part on each distribution payment date after 5 years (including the distribution payment date of the fifth year) after the issuance date of the bonds.
- 6.31.11** The Bank issued RMB2.0 billion of financial bonds on 16 April 2020 on the China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.90%, paid annually.
- 6.31.12** The Bank issued RMB10.0 billion of financial bonds on 27 April 2020 on the China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.30%, paid annually.

## Chapter VI Report of the Board of Directors

### 6.31 ISSUE OF DEBENTURES (CONTINUED)

**6.31.13** The Bank issued RMB8.0 billion of tier 2 capital bonds on 28 September 2020 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.50%, paid annually. The Bank has an option to redeem part or all of these bonds at face value on the last day of the fifth year of interest accrued of bonds, subject to the approval from relevant regulatory authorities.

Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary creditors and is superior to equity capital, other tier 1 capital instruments and mixed capital debts.

**6.31.14** In 2020, the Bank issued 155 zero-coupon interbank certificates of deposit in total face value of RMB237.68 billion, with maturities ranging from one month to one year. As at 31 December 2020, the aggregate face value of undue interbank certificates of deposit issued of the Bank amounted to RMB140.41 billion.

By order of the Board  
**Wu Xuemin**  
*Chairman*

26 March 2021



## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.1 CHANGES IN ORDINARY SHARES OF THE BANK DURING THE REPORTING PERIOD

	31 December 2020		Changes during the Reporting Period	31 December 2019	
	Number of shares (share)	Percentage (%)	Number of shares (share)	Number of shares (share)	Percentage (%)
Domestic Shares <sup>(1)</sup>	8,676,051,211	71.38	0	8,676,051,211	71.38
H Shares	3,478,750,000	28.62	0	3,478,750,000	28.62
<b>Total number of ordinary shares</b>	<b>12,154,801,211</b>	<b>100.00</b>	0	12,154,801,211	100.00

Notes: (1) As of 31 December 2020, the Bank had a total of 17,683 shareholders of ordinary shares, including 1,489 shareholders of H Shares and 16,194 shareholders of Domestic Shares.

- (2) On 4 January 2021, the Bank completed the share registration for the non-public issuance of 1,735,000,000 Domestic Shares under the general mandate. The total issued ordinary share capital of the Bank increased to 13,889,801,211 shares, including 10,411,051,211 Domestic Shares, accounting for 74.95% of the total issued ordinary share capital; and 3,478,750,000 H shares, accounting for 25.05% of the total issued ordinary share capital. For details of the non-public issuance, please refer to Section 7.6 "Non-Public Issuance" in this annual report.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.2 INFORMATION ON THE SHAREHOLDINGS OF THE TOP TEN HOLDERS OF ORDINARY SHARES

As of 31 December 2020, the order of the top ten holders of ordinary shares of the Bank was sorted by: (1) (for H Shares) the aggregate of the H Shares of the Bank held by investors which were deposited into the Central Clearing and Settlement System of the Hong Kong Stock Exchange and registered under the name of HKSCC NOMINEES LIMITED, a wholly-owned subsidiary of the Hong Kong Stock Exchange, representing 28.59% of the total share capital of ordinary shares and representing 99.89% of the total H Shares issued; and (2) for Domestic Shares, the order was based on the number of shares held directly under the domestic shareholders register kept by China Securities Depository and Clearing Co., Ltd.

No.	Name of shareholder	Nature of shareholder	Number of shares		Type of shares	Increase/ decrease during the Reporting Period (share)	Pledged or frozen (share)
			held as at the end of the Reporting Period (share)	Percentage to total share capital of ordinary shares (%)			
1	HKSCC Nominees Limited	— <sup>(1)</sup>	3,474,759,878	28.59	H Share	114,600	— <sup>(1)</sup>
2	Anhui Energy Group Co., Ltd.	State-owned legal person	843,363,819	6.94	Domestic Share	0	0
3	Anhui Guoyuan Financial Holding Group Co., Ltd.	State-owned legal person	837,810,695	6.89	Domestic Share	0	0
4	Anhui Credit Guaranty Group Co., Ltd.	State-owned legal person	827,658,091	6.81	Domestic Share	0	413,829,020
5	Anhui Transportation Holding Group Co., Ltd.	State-owned legal person	515,935,874	4.24	Domestic Share	0	0
6	Zhongjing Sihai Co., Ltd.	Domestic non-state-owned legal person	506,102,476	4.16	Domestic Share	0	368,540,000
7	Hefei Xingtai Financial Holding Group Co., Ltd.	State-owned legal person	378,395,999	3.11	Domestic Share	0	0
8	Wuhu Construction Investment Co., Ltd.	State-owned legal person	294,012,833	2.42	Domestic Share	0	0
9	CCB Trust Co., Ltd.	State-owned legal person	248,102,994	2.04	Domestic Share	0	0
10	Anhui Hengtai Real Estate Development Co., Ltd.	Domestic non-state-owned legal person	234,675,695	1.93	Domestic Share	0	234,675,695

Note: (1) The relevant information has not yet been obtained by the Bank, nor can it be verified based on the existing information.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES

According to the relevant requirements of the Interim Measures for the Equity Management of Commercial Banks of CBIRC, based on the register of members maintained by trustee agency of ordinary shares of the Bank and the information publicly disclosed and submitted by substantial shareholders to the Bank, etc., the substantial shareholders of the Bank as at the end of the Reporting Period are as follows:

No.	Name of shareholder	Number of shares held at the end of the Reporting Period (Share)	Individual shareholding ratio (%)	Joint shareholding ratio (%)
1	Zhongjing Xinhua Asset Investment Management Co., Ltd.	224,781,227	1.85	12.1
	Wealth Honest Limited	590,615,400	4.86	
	Golden Harbour Investments Management Limited	440,000,000	3.62	
	Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	215,249,000	1.77	
2	Anhui Energy Group Co., Ltd.	843,363,819	6.94	11.08
	Anhui Wenergy Company Limited	150,814,726	1.24	
	Xing An Holding Limited	329,973,600	2.71	
	Anhui Natural Gas Development Co., Ltd.	23,573,708	0.19	
3	Wkland Finance Holding Company Limited	562,254,000	4.63	8
	Wkland Finance Holding II Company Limited	410,130,600	3.37	
4	Anhui Guoyuan Financial Holding Group Co., Ltd.	837,810,695	6.89	7.19
	Anhui Guoyuan Trust Co., Ltd.	35,751,470	0.29	
	Anhui Guoyuan Ma'anshan Asset Management Co., Ltd.	361,662	0.00	
5	Anhui Credit Guaranty Group Co., Ltd.	827,658,091	6.81	6.83
	Anhui Guaranteed Asset Management Co., Ltd.	2,524,326	0.02	
6	Hefei Xingtai Financial Holding Group Co., Ltd.	378,395,999	3.11	5.15
	CCB Trust Co., Ltd.	248,102,994	2.04	
7	Sunshine Life Insurance Corporation Limited	598,094,200	4.92	4.92
8	Anhui Transportation Holding Group Co., Ltd.	515,935,874	4.24	4.27
	Anhui Transportation Holding Group (H.K.) Limited	3,299,700	0.03	
9	Zhongjing Sihai Co., Ltd.	506,102,476	4.16	4.16
10	Wuhu Construction Investment Co., Ltd.	294,012,833	2.42	2.42
11	Anhui Publishing Group Co., Ltd.	103,693,815	0.85	0.85

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (1) Zhongjing Xinhua Asset Investment Management Co., Ltd. was established on 14 June 2003. It was registered in Huangshan of Anhui Province with a registered capital of RMB2.875 billion. Its legal representative is GAO YANG. Its scope of business includes enterprise investment management; enterprise management, enterprise mergers and acquisitions as well as asset restructuring planning; project investment consultation, economic information consultation, business information consultation, market information consultation and research, asset operation, industrial investment, investment consultation, technology consultation, and technical service. According to the information submitted by shareholders, its controlling shareholder is Jing'An Shanghai Silver Investment Co., Ltd., its de facto controller is Shanghai Soong Ching Ling Foundation. Its ultimate beneficiaries are women and children who received charitable donations from Shanghai Soong Ching Ling Foundation across the country and it does not have any persons acting in concert. As at the end of the Reporting Period, Zhongjing Xinhua Asset Investment Management Co., Ltd. did not pledge any shares of the Bank and 224,781,227 Domestic Shares were judicially frozen.

Wealth Honest Limited was incorporated in British Virgin Islands on 30 March 2006. Its legal representative is GAO YANG. Its scope of business includes investment. According to the information submitted by shareholders, its controlling shareholder is Zhongjing Xinhua Property Management (Hong Kong) Co., Limited, its de facto controller is Shanghai Soong Ching Ling Foundation, its ultimate beneficiaries are women and children who received charitable donations from Shanghai Soong Ching Ling Foundation across the country and it does not have any persons acting in concert. As at the end of the Reporting Period, Wealth Honest Limited did not pledge any shares of the Bank.

Golden Harbour Investments Management Limited was incorporated in British Virgin Islands on 28 October 2016. Its general manager is Zhang Qinbao. Its scope of business includes investment. According to the information submitted by shareholders, its controlling shareholder is Wealth Honest Fund LP, its de facto controller is Shanghai Soong Ching Ling Foundation, its ultimate beneficiaries are women and children who received charitable donations from Shanghai Soong Ching Ling Foundation across the country and it does not have any persons acting in concert. As at the end of the Reporting Period, Golden Harbour Investments Management Limited did not pledge any shares of the Bank.

Zhongjing Xinhua Property Management (Hong Kong) Co., Limited was incorporated in Hong Kong on 28 January 2014. Its legal representative is GAO YANG. Its scope of business includes investment. According to the information submitted by shareholders, its controlling shareholder is Zhongjing Xinhua Asset Investment Management Co., Ltd., its de facto controller is Shanghai Soong Ching Ling Foundation, its ultimate beneficiaries are women and children who received charitable donations from Shanghai Soong Ching Ling Foundation across the country and it does not have any persons acting in concert. As at the end of the Reporting Period, Zhongjing Xinhua Property Management (Hong Kong) Co., Limited did not pledge any shares of the Bank.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (2) Anhui Energy Group Co., Ltd. was established on 9 April 1990. It was registered in Hefei of Anhui Province with a registered capital of RMB4.375 billion. Its legal representative is Zhu Yicun. Its scope of business includes state-owned assets operation, project investment and management, economic and technological cooperation, exchanges and services with foreign countries, business information and investment information consultation services, and investment evaluation of construction projects. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Energy Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Energy Group Co., Ltd. did not pledge any shares of the Bank. Anhui Energy Group Co., Ltd. has appointed Zhu Yicun to the Bank as a director.

Anhui Wenergy Company Limited was established on 13 December 1993. It was registered in Hefei of Anhui Province with a registered capital of RMB2,266,863,331. Its legal representative is Li Ming. Its scope of business includes investment and operation of electricity, energy-saving and related projects; development of raw materials related to electricity power construction; development, investment and operation of high and new technology and export-oriented foreign exchange generating projects. According to the information submitted by shareholders, its controlling shareholder is Anhui Energy Group Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Wenergy Company Limited and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Wenergy Company Limited did not pledge any shares of the Bank.

Xing An Holdings Limited was incorporated in Hong Kong in June 2004. Its legal representative is Zhu Yicun. Its scope of business includes electricity investment. According to the information submitted by shareholders, its controlling shareholder is Anhui Energy Group Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Energy Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Xing An Holdings Limited did not pledge any shares of the Bank.

Anhui Natural Gas Development Co., Ltd. was established on 14 February 2003. It was registered in Hefei of Anhui Province with a registered capital of RMB336,000,000. Its legal representative is Jia Huabin, Its scope of business includes construction, operation and management of the natural gas trunk and branch pipeline network in the province; participation in the development, construction, operation and management of urban natural gas pipeline network; purchase of natural gas resources upstream on behalf of Anhui Province, and sale of natural gas to urban pipeline network and major users; development of natural gas and coal seam gas and other energy applications and related projects, including liquefied natural gas (LNG), compressed natural gas (CNG), natural gas vehicle refuelling stations; engagement in other businesses related to or supporting the above. According to the information submitted by shareholders, its controlling shareholder is Anhui Energy Group Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Natural Gas Development Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Natural Gas Development Co., Ltd. did not pledge any shares of the Bank.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (3) Wkland Finance Holding Company Limited was incorporated in British Virgin Islands on 28 October 2013. It has two directors, namely Zhang Xu and Mo Fan. According to the information submitted by shareholders, its controlling shareholder is Wkland Limited, its de facto controller is China Vanke Co., Ltd., its ultimate beneficiary is China Vanke Co., Ltd. and it acts in concert with Wkland Finance Holding II Company Limited. As at the end of the Reporting Period, Wkland Finance Holding Company Limited did not pledge any shares of the Bank.

Wkland Finance Holding II Company Limited was incorporated in British Virgin Islands on 28 October 2013. It has two directors, namely Zhang Xu and Mo Fan. According to the information submitted by shareholders, its controlling shareholder is Wkland Limited, its de facto controller is China Vanke Co., Ltd., its ultimate beneficiary is China Vanke Co., Ltd. and it acts in concert with Wkland Finance Holding Company Limited. As at the end of the Reporting Period, Wkland Finance Holding II Company Limited did not pledge any shares of the Bank. Wkland Finance Holding II Company Limited has appointed Wang Wenjin to the Bank as a director.

- (4) Anhui Guoyuan Financial Holding Group Co., Ltd. was established on 30 December 2000. It was registered in Hefei of Anhui Province with a registered capital of RMB6 billion. Its legal representative is Fang Xu. Its scope of business includes the operation of all state-owned assets and state-owned shares of state-authorized group companies and their holding companies, capital operations, asset management, mergers and acquisitions, asset restructuring and investment consultation. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Guoyuan Financial Holding Group Co., Ltd. did not pledge any shares of the Bank and has appointed Wu Tian to the Bank as a director.

Anhui Guoyuan Trust Co., Ltd. was established on 14 January 2004. It was registered in Hefei of Anhui Province with a registered capital of RMB4.2 billion. Its legal representative is Xu Bin. Its scope of business includes fund trusts, movable property trusts, real estate trusts, negotiable securities trusts, other property or property rights trusts, as promoters of investment fund or fund management company to be engaged in investment fund business, restructuring, mergers and acquisitions and project financing of enterprise assets; financial management, financial advisory and other services for companies; entrusted to operate the securities underwriting business approved by the relevant departments of the State Council; handling intermediation, consulting, credit investigation and other business, custody service and safe deposit box service business, utilization of inherent property by way of deposits at banks and other financial institutions, call loans to banks and other financial institutions, loans, leasing and investments, providing guarantees for others with inherent property, engaged in interbank lending, and other business required by the laws and regulations or approved by the CBRC. According to the information submitted by shareholders, its controlling shareholder is Anhui Guoyuan Financial Holding Group Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Guoyuan Trust Co., Ltd. did not pledge any shares of the Bank.



## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

(4) (Continued)

Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. was established on 31 March 2004. It was registered in Ma'anshan of Anhui Province with a registered capital of RMB65 million. Its legal representative is Zhou Min. Its scope of business includes financial investment; asset management; entrusted wealth management; entrusted investment, investment (real estate, enterprise shareholding, national debt, trust products, stocks); non-financial guarantee business; corporate mergers and acquisitions consulting, financial consulting; housing leasing, automobiles Leasing (excluding operators), rental of machinery and equipment; wholesale and retail of metal materials, building materials, chemical products (excluding dangerous goods and precursor chemicals), mechanical and electrical products, home appliances, and general merchandises. According to the information submitted by shareholders, its controlling shareholder is Anhui GuoYuan Investment Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. did not pledge any shares of the Bank.

(5) Anhui Credit Guaranty Group Co., Ltd. was established on 25 November 2005. It was registered in Hefei of Anhui Province with a registered capital of RMB18.686 billion. Its legal representative is Yan Chen. Its scope of business includes performance guarantee business such as loan guarantee, promissory notes guarantee, trade finance guarantee, project financing guarantee, letter of credit guarantee; re-guarantee and bond issuance guarantee business; procedural preservative guarantee, tender guarantee, prepayment guarantee, project performance guarantee, final payment guarantee, etc.; financing consultancy, financial advisory services and business information consultation relating to the provision of guarantee; investment with self-own capital. According to the information submitted by shareholders, its controlling shareholder is the People's Government of Anhui Province, its de facto controller is the People's Government of Anhui Province, its ultimate beneficiary is Anhui Credit Guaranty Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Credit Guaranty Group Co., Ltd. has pledged 413,829,020 Domestic Shares of the Bank. Anhui Credit Guaranty Group Co., Ltd. has appointed Yan Chen to the Bank as a director.

Anhui Guaranteed Asset Management Co., Ltd. was established on 9 July 2015. It was registered in Hefei of Anhui Province with a registered capital of RMB1.5 billion. Its legal representative is Xu Wenqing. Its scope of business includes entrusted disposal of guaranteed non-performing assets, acquisition of guaranteed non-performing assets, idle capital operation, house leasing, and guarantee business consulting. According to the information submitted by shareholders, its controlling shareholder is Anhui Credit Guaranty Group Co., Ltd., its de facto controller is the People's Government of Anhui Province, its ultimate beneficiary is Anhui Guaranteed Asset Management Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Guaranteed Asset Management Co., Ltd. did not pledge any shares of the Bank.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (6) Hefei Xingtai Financial Holding Group Co., Ltd. was established on 18 January 1999. It was registered in Hefei of Anhui Province with a registered capital of RMB7 billion. Its legal representative is Cheng Rulin. Its scope of business includes operation of state-owned assets within the authorization, corporate planning, management consultation, financial advisory, corporate wealth management, industrial investment as well as other approved operating activities. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Hefei City, its de facto controller is the State-owned Assets Supervision and Administration Commission of Hefei City, its ultimate beneficiary is Hefei Xingtai Financial Holding Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Hefei Xingtai Financial Holding Group Co., Ltd. did not pledge any shares of the Bank and has appointed Chen Rui to the Bank as a supervisor.

CCB Trust Co., Ltd. was established on 31 December 2003. It was registered in Hefei of Anhui Province with a registered capital of RMB10,500 million. Its legal representative is Wang Baokui. Its scope of business includes fund trusts, movable property trusts, real estate trusts, negotiable securities trusts, other property or property rights trusts, as promoters of investment fund or fund management company to be engaged in investment fund business, restructuring, mergers and acquisitions and project financing of enterprise assets; financial management, financial advisory and other services for companies; entrusted to operate the securities underwriting business approved by the relevant departments of the State Council; handling intermediation, consulting, credit investigation and other business, custody service and safe deposit box service business, utilization of inherent property by way of deposits at banks and other financial institutions, call loans to banks and other financial institutions, loans, leasing and investments, providing guarantees for others with inherent property, engaged in interbank lending, and other business required by the laws and regulations or approved by the CBRC. According to the information submitted by shareholders, its controlling shareholder is China Construction Bank Corporation, its de facto controller is Central Huijin Investment Co., Ltd, its ultimate beneficiary is CCB Trust Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, CCB Trust Co., Ltd. did not pledge any shares of the Bank.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (7) Sunshine Life Insurance Corporation Limited was established on 17 December 2007. It was registered in Sanya of Hainan Province with a registered capital of RMB18,342.50 million. Its legal representative is Li Ke. Its scope of business includes personal insurance business such as life insurance, health insurance, and accident insurance; re-insurance business of the aforesaid businesses; the scope of use of insurance funds permitted by the national laws and regulations; sales of securities investment funds; other business approved by CBIRC. According to the information submitted by shareholders, its controlling shareholder is Sunshine Insurance Group Corporation Limited, it does not have any de facto controller, its ultimate beneficiary is Sunshine Life Insurance Corporation Limited and it does not have any persons acting in concert. As at the end of the Reporting Period, Sunshine Life Insurance Corporation Limited did not pledge any shares of the Bank and has appointed Zhao Zongren to the Bank as a director.
- (8) Anhui Transportation Holding Group Co., Ltd. was established on 27 April 1993. It was registered in Hefei of Anhui Province with a registered capital of RMB16 billion. Its legal representative is Xiang Xiaolong. Its scope of business includes building, supervision, inspection, design, construction, technical consultation and service of road and related infrastructure; investment and asset management; real estate development and management; road transportation; logistics services; operation and management of service areas alongside highways; tolling, road maintenance, operation and management of road properties and rights of road; production and distribution of advertisements. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Transportation Holding Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Transportation Holding Group Co., Ltd. did not pledge any shares of the Bank and has appointed Qian Dongsheng to the Bank as a director. In addition, based on the information provided by Anhui Transportation Holding Group Co., Ltd. to the Bank and public available information, the company has completed the change of business registration information on 29 January 2021. Its scope of business has been changed to investment, building, supervision, inspection, design and construction of road and other transportation infrastructure; tolling, road maintenance, operation and management of road properties and rights of road; technical service and consultation; real estate development and operation, property management, real estate leasing and operation; road transportation, multimodal transportation and transportation agency; logistics, warehousing and materials trade; investment and asset management; operation of service areas alongside highways, including refueling (excluding hazardous chemicals), catering and accommodation, rescue and vehicles repairing, automobile spare parts and commodities sales, property management, logistic delivery, warehousing, tourism, cultural entertainment services; production, distribution and operation of media advertisements; buildings construction, installment, decoration and EPC contracting.

Anhui Transportation Holding Group (H.K.) Limited was incorporated in Hong Kong in September 2013 with a registered capital of US\$24.80 million. Its legal representative is Xie Xinyu. Its scope of business includes investment, planning, design, construction, supervision, operation, technical consultation and supporting services for high-class highway; investment, development and operation as well as sales of real estate, property management, house rental; import and export of construction materials, automobile spare parts, mechanical equipment and technology, trade agency, storage; equity investment, etc. According to the information submitted by shareholders, its controlling shareholder is Anhui Transportation Holding Group Co., Ltd., its de facto controller is the State-owned Assets Supervision and Administration Commission of Anhui Provincial People's Government, its ultimate beneficiary is Anhui Transportation Holding Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Transportation Holding Group (H.K.) Limited did not pledge any shares of the Bank.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- (9) Zhongjing Sihai Co., Ltd. was established on 28 June 1995. It was registered in Huangshan of Anhui Province with a registered capital of RMB1,261.9757 million. Its legal representative is Zheng Ju. Its scope of business includes industrial investment, asset management, investment operation management, and investment consultation service; sales of office supplies, hotel supplies, metal materials, and automobile and motorcycle accessories. According to the information submitted by shareholders, its controlling shareholder is Shanshan Group Co., Ltd, its de facto controller is Zheng Yonggang, its ultimate beneficiaries are natural persons, Zheng Yonggang and Zhou Jiqing, and it does not have any persons acting in concert. As at the end of the Reporting Period, Zhongjing Sihai Co., Ltd. had pledged 368,540,000 Shares, accounting for 72.82% of its holding Shares and accounting for 3.03% of the total share capital of ordinary shares of the Bank. Zhongjing Sihai Co., Ltd. assigned GAO YANG, a director to the Bank.
- (10) Wuhu Construction Investment Co., Ltd. was established on 16 February 1998. It was registered in Wuhu of Anhui Province with a registered capital of RMB12,124 million. Its legal representative is Xia Feng. Its scope of business includes investment, financing, construction, operation and management of urban infrastructure and public utilities projects; industrial investment and management; house leasing; authorized operation of state-owned assets, capital operation and asset restructuring; performing the duties as the state-owned assets contributor of the wholly-owned subsidiaries, controlling enterprises and enterprises in which it has shareholdings. According to the information submitted by shareholders, its controlling shareholder is the State-owned Assets Supervision and Administration Commission of Wuhu City, its de facto controller is the State-owned Assets Supervision and Administration Commission of Wuhu City, its ultimate beneficiary is Wuhu Construction Investment Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Wuhu Construction Investment Co., Ltd. did not pledge any shares of the Bank and has appointed Li Ruifeng to the Bank as a supervisor; on 21 January 2021, Mr. Li Ruifeng resigned from the position as a supervisor of the Bank. Please refer to Section 8.2 “Changes in Directors, Supervisors and Senior Management of the Bank” in this annual report for details.
- (11) Anhui Publishing Group Co., Ltd. was established on 26 October 2005. It was registered in Hefei of Anhui Province with a registered capital of RMB1,031.704 million. Its legal representative is Wang Min. Its scope of business includes: engaged in asset management, capital operation and investment business according to the relevant requirements of the Country, as well as providing asset or equity management services and financing consultation services to wholly-owned and controlling subsidiaries according to the laws; management of the domestic and international publishing, sales, logistics and distribution, chain operation of books, journals, newspaper, electronic publications, audio and video products as well as online publications produced by subsidiaries, consultation services for book rental and leasing. According to the information submitted by shareholders, its controlling shareholder is the People’s Government of Anhui Province, its de facto controller is the People’s Government of Anhui Province, its ultimate beneficiary is Anhui Publishing Group Co., Ltd. and it does not have any persons acting in concert. As at the end of the Reporting Period, Anhui Publishing Group Co., Ltd. did not pledge any shares of the Bank and has appointed Hu Jing to the Bank as a supervisor.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.3 SUBSTANTIAL SHAREHOLDERS OF ORDINARY SHARES (CONTINUED)

- Notes: (1) Particulars of substantial shareholders of ordinary shares are based on the information submitted to the Bank or the public disclosure information published by substantial shareholders.
- (2) The pledge of Domestic Shares of the Bank is based on the relevant information provided by China Securities Depository and Clearing Corporation Limited and the pledge of H Shares is based on the information submitted by the shareholders.
- (3) For the detailed definitions of substantial shareholders, controlling shareholders, de facto controllers, parties acting in concert and ultimate beneficial owners, please see the relevant requirement of the Interim Measures for the Shareholding Management of Commercial Banks 《商業銀行股權管理暫行辦法》 issued by CBIRC.
- (4) Pursuant to the Enterprise Accounting Standard No. 36 – Disclosure of Related Party, related parties refer to the enterprises controlled or jointly controlled by one party or exerting significant influence on the other party, or controlled, jointly controlled or significantly influenced by two or more parties under the same control of the same party, but the enterprises controlled by the state not only have related relationship because they are jointly controlled by the state; the Interim Measures for the Shareholding Management of Commercial Banks requires commercial banks to manage major shareholders, its controlling shareholders, de facto controllers, related parties, parties acting in concert and ultimate beneficiaries as related parties of commercial banks in accordance with the principle of penetration.

As at the end of the Reporting Period, the Bank has approximately 686 related legal entities and approximately 13,343 related natural persons with the total balance of related transactions of approximately RMB28.177 billion. According to the relevant information publicly disclosed and submitted to the Bank by substantial shareholders, the related legal entities and related natural persons of substantial shareholders of the Bank amounts to approximately 728 in aggregate. As at the end of the Reporting Period, details of the related parties of substantial shareholders and the related transactions under relevant accounting standards are set out in Note 51 to the financial statements. Due to limitations on space, this annual report does not provide the list of related parties of all substantial shareholders.

- (5) On 4 January 2021, the Bank completed the share registration for the non-public issuance of 1,735,000,000 Domestic Shares under the general mandate. The total issued ordinary share capital of the Bank increased to 13,889,801,211 shares, including 10,411,051,211 Domestic Shares, accounting for 74.95% of the total issued ordinary share capital; and 3,478,750,000 H shares, accounting for 25.05% of the total issued ordinary share capital. Please refer to Section 7.6 “Non-Public Issuance” in this annual report for details of the non-public issuance.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS

As of 31 December 2020, the following persons (other than the directors, supervisors and chief executive (as defined in the Hong Kong Listing Rules) of the Bank) had interests and short positions in the shares of the Bank as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO. In view of the Bank's profit distribution plan for 2017, where bonus shares were issued to shareholders on the basis of 1 share for every 10 shares, implemented in 2018, the number of shares held by shareholders in the table below reflects the number of shares held by shareholders after the issue of bonus shares.

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares (%)	Note
Anhui Energy Group Co., Ltd.	H Share	Long	Interest of controlled corporation	329,973,600	9.49	2.71	1
	Domestic Share	Long	Interest of controlled corporation	174,388,434	2.01	1.43	1
	Domestic Share	Long	Beneficial Owner	843,363,819	9.72	6.94	1
Xing An Holdings Limited	H Share	Long	Beneficial Owner	329,973,600	9.49	2.71	1
Anhui Credit Guaranty Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	2,524,326	0.03	0.02	2
	Domestic Share	Long	Beneficial Owner	827,658,091	9.54	6.81	2
Anhui Guoyuan Financial Holding Group Co., Ltd.	Domestic Share	Long	Beneficial Owner	837,810,695	9.66	6.89	3
	Domestic Share	Long	Interest of controlled corporation	36,113,132	0.42	0.30	3
Anhui Transportation Holding Group Co., Ltd.	H Share	Long	Interest of controlled corporation	3,299,700	0.09	0.03	4
	Domestic Share	Long	Beneficial Owner	515,935,874	5.95	4.24	4
China Vanke Co., Ltd.	H Share	Long	Interest of controlled corporation	972,384,600	27.95	8.00	5
Wkland Finance Holding Company Limited	H Share	Long	Beneficial Owner	562,254,000	16.16	4.63	5
Wkland Finance Holding II Company Limited	H Share	Long	Beneficial Owner	410,130,600	11.79	3.37	5
Sunshine Insurance Group Corporation Limited	H Share	Long	Interest of controlled corporation	598,094,200	17.19	4.92	6
Sunshine Life Insurance Corporation Limited	H Share	Long	Beneficial Owner	598,094,200	17.19	4.92	6
Shanghai Soong Ching Ling Foundation	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	10.25	8, 9, 10, 12
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.59	1.85	7
Zhongjing Industry (Group) Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	10.25	8, 9, 10, 12
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.59	1.85	7
Modern Innovation Holdings Co., Limited	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	10.25	8, 9, 10, 12
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.59	1.85	7
JingAn Shanghai Silver Investment Co., Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	10.25	8, 9, 10, 12
	Domestic Share	Long	Interest of controlled corporation	224,781,227	2.59	1.85	7
Zhongjing Xinhua Asset Investment Management Company Ltd.	H Share	Long	Interest of controlled corporation	1,245,864,400	35.81	10.25	8, 9, 10, 12
	Domestic Share	Long	Beneficial Owner	224,781,227	2.59	1.85	7

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Name of shareholder	Type of share	Long/short position	Capacity	Number of shares (share)	Percentage of the underlying shares in issue (%)	Percentage of all issued ordinary shares (%)	Note
Zhongjing Xinhua Property Management (Hong Kong) Co., Limited	H Share	Long	Interest of controlled corporation	1,030,615,400	29.63	8.48	9, 10, 12
Wealth Honest Limited	H Share	Long	Beneficial Owner	215,249,000	6.19	1.77	8
Wealth Honest Cayman Holdings Company Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.62	10, 12
Qingdao State-owned Assets Supervision & Administration Commission	H Share	Long	Beneficial Owner	590,615,400	16.98	4.86	9
Qingdao City Construction Investment (Group) Limited	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.62	10, 12
Qingdao City Construction Financial Holding Group Co., Ltd.	H Share	Long	Security interest	440,000,000	12.65	3.62	10
China Golden Harbour (Holdings) Group	H Share	Long	Security interest	440,000,000	12.65	3.62	10
Golden Harbour Global Holdings Limited	H Share	Long	Security interest	440,000,000	12.65	3.62	10
Wealth Honest Fund LP	H Share	Long	Interest of controlled corporation	440,000,000	12.65	3.62	10
Golden Harbour Investments Management Limited	H Share	Long	Beneficial Owner	440,000,000	12.65	3.62	10
Zheng Yonggang	Domestic Share	Long	Interest of controlled corporation	730,883,703	8.42	6.01	7, 11
Zhou Jiqing	Domestic Share	Long	Interest of controlled corporation	730,883,703	8.42	6.01	7, 11
Ningbo Qinggang Investment Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	730,883,703	8.42	6.01	7, 11
Shanshan Holdings Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	5.83	4.16	11
	Domestic Share	Long	Beneficial Owner	224,781,227	2.59	1.85	7
	H Share	Long	Interest of acting in concert	1,245,864,400	35.81	10.25	13
Shanshan Group Co., Ltd.	Domestic Share	Long	Interest of controlled corporation	506,102,476	5.83	4.16	11
Zhongjing Sihai Co., Ltd.	Domestic Share	Long	Beneficial Owner	506,102,476	5.83	4.16	11
DRAGON SOUND INVESTMENT LIMITED	Domestic Share	Long	Interest of acting in concert	730,883,703	8.42	6.01	13
	H Share	Long	Beneficial Owner	273,449,000	7.86	2.25	12
JOY GLORY HOLDINGS LIMITED	Domestic Share	Long	Interest of acting in concert	730,883,703	8.42	6.01	13
	H Share	Long	Beneficial Owner	532,415,400	15.30	4.38	12
SUPERIOR LOGIC INVESTMENTS LIMITED	Domestic Share	Long	Interest of acting in concert	730,883,703	8.42	6.01	13
	H Share	Long	Beneficial Owner	440,000,000	12.65	3.62	12
CITIC Securities Company Limited	H Share	Long	Interest of controlled corporation	196,995,675	5.66	1.62	14
	H Share	Short	Interest of controlled corporation	186,108,750	5.35	1.53	14

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

Notes:

- (1) Xing An Holdings Limited holds 329,973,600 H Shares (long position) of the Bank. Xing An Holdings Limited is a wholly-owned subsidiary directly controlled by Anhui Energy Group Co., Ltd. As such, Anhui Energy Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Xing An Holdings Limited.

At the same time, Anhui Energy Group Co., Ltd. directly holds 843,363,819 Domestic Shares (long position) of the Bank. In addition, Anhui Energy Group Co., Ltd. is deemed to be interested in 150,814,726 Domestic Shares and 23,573,708 Domestic Shares of the Bank that were held by its controlling subsidiaries, Anhui Wenergy Company Limited and Anhui Natural Gas Development Co., Ltd., respectively.

- (2) 2,524,326 Domestic Shares (long position) of the Bank held by Anhui Guarantee Asset Management Co., Ltd. Anhui Guarantee Asset Management Co., Ltd. is a wholly-owned subsidiary of Anhui Credit Guaranty Group Co., Ltd. Anhui Credit Guaranty Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Guarantee Asset Management Co., Ltd. Meanwhile, Anhui Credit Guaranty Group Co., Ltd. directly holds 827,658,091 Domestic Shares (long position) of the Bank.

- (3) Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. hold 361,662 Domestic Shares (long position) and 35,751,470 Domestic Shares (long position) of the Bank, respectively. Anhui Guoyuan Financial Holding Group Co., Ltd. is deemed to be interested in the Domestic Shares of the Bank that were directly held by its controlling subsidiaries, Anhui Guoyuan Ma'anshan Asset Management Co., Ltd. and Anhui Guoyuan Trust Co., Ltd. At the same time, Anhui Guoyuan Financial Holding Group Co., Ltd. directly holds 837,810,695 Domestic Shares (long position) of the Bank.

- (4) Anhui Transportation Holding Group (H.K.) Limited holds 3,299,700 H Shares (long position) of the Bank. Anhui Transportation Holding Group (H.K.) Limited is a wholly-owned subsidiary directly controlled by Anhui Transportation Holding Group Co., Ltd. As such, Anhui Transportation Holding Group Co., Ltd. is deemed to be interested in the shares of the Bank held by Anhui Transportation Holding Group (H.K.) Limited. At the same time, Anhui Transportation Holding Group Co., Ltd. directly holds 515,935,874 Domestic Shares (long position) of the Bank. On 4 January 2021, Anhui Transportation Holding Group Co., Ltd. subscribed 176,000,000 Domestic Shares (long position) of the Bank through private placement.

- (5) China Vanke Co., Ltd. is deemed to be interested in a total of 972,384,600 H Shares (long position) of the Bank by virtue of its control over the following corporations which directly hold interests in the Bank:

5.1 Wkland Finance Holding Company Limited holds 562,254,000 H Shares (long position) of the Bank. Wkland Finance Holding Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.

5.2 Wkland Finance Holding II Company Limited holds 410,130,600 H Shares (long position) of the Bank. Wkland Finance Holding II Company Limited is a wholly-owned subsidiary indirectly controlled by China Vanke Co., Ltd.

- (6) Sunshine Life Insurance Corporation Limited holds 598,094,200 H Shares (long position) of the Bank. Sunshine Life Insurance Corporation Limited is a subsidiary directly controlled by Sunshine Insurance Group Corporation Limited. Sunshine Insurance Group Corporation Limited is deemed to be interested in the shares of the Bank held by Sunshine Life Insurance Corporation Limited.



## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

- (7) Zhongjing Xinhua Asset Investment Management Co., Ltd. ("Zhongjing Xinhua") directly holds 224,781,227 Domestic Shares (long position) of the Bank. Zhongjing Xinhua is a subsidiary directly controlled by Jing'An Shanghai Silver Investment Co., Ltd. ("Jing'An Silver"). Jing'An Silver is a wholly-owned subsidiary directly controlled by Modern Innovation Holdings Co., Limited ("Modern Innovation"). Modern Innovation is a subsidiary directly controlled by Zhongjing Industry (Group) Limited ("Zhongjing Industry"). The 97.5% shares of Zhongjing Industry are held by Shanghai Soong Ching Ling Foundation. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation and Jing'An Silver are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua.

Shanshan Holdings Co., Ltd. ("Shanshan Holdings") entered into an agreement with Zhongjing Xinhua on 20 August 2019, pursuant to which Shanshan Holdings acquired 224,781,227 Domestic Shares of Huishang Bank held by Zhongjing Xinhua, which have not been transferred. Pursuant to relevant requirements of the SFO, during the period from the signing of the agreement to prior to the completion of the transfer of shares, both Shanshan Holdings and Zhongjing Xinhua shall be deemed to be interested in such shares acquired or disposed and both of them are beneficial owners. Zheng Yonggang, Zhou Jiqing and Ningbo Qinggang are deemed to be interested in the above shares of the Bank held by Shanshan Holdings.

According to the disclosure of interests forms submitted by Zhongjing Xinhua to the Hong Kong Stock Exchange, Zhongjing Xinhua issued a written notice to Shanshan Holdings on behalf of all the vendors on 1 June 2020, announcing the termination of the "Framework Agreement" signed by the parties on 20 August 2019. In this regard, the relevant vendors are not required to transfer the underlying domestic shares to Shanshan Holdings.

According to the "Announcement on Zhongjing Xinhua Asset Investment Management Company Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the Shanghai Stock Exchange (the "SSE") on 9 July 2020, "..... On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Company Ltd. on the Transfer of Shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd. .... The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." According to the 2020 Interim Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 August 2020, "Progress of the dispute on transfer of equity in Huishang Bank with Shanshan Holdings Co., Ltd.: the Company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. Currently, it is pending hearing." For details, please refer to the announcement published by Zhongjing Xinhua on the SSE.

According to the "Announcement on Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group on the SSE on 10 July 2020, "..... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. .... Shanshan Holdings .... filed a lawsuit with the Shanghai Financial Court on 2 June 2020 and completed the filing." For details, please refer to the announcement issued by Shanshan Group on the SSE.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

- (8) Zhongjing Xinhua Property Management (Hong Kong) Co., Limited ("Zhongjing Xinhua Hong Kong") holds 215,249,000 H Shares (long position) of the Bank.

Zhongjing Xinhua Hong Kong is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua. As such, Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver and Zhongjing Xinhua are deemed to be interested in the shares of the Bank held by Zhongjing Xinhua Hong Kong.

- (9) Wealth Honest Limited ("Wealth Honest") holds 590,615,400 H Shares (long position) of the Bank. Wealth Honest is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua Hong Kong, which in turn is a wholly-owned subsidiary directly controlled by Zhongjing Xinhua. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver, Zhongjing Xinhua and Zhongjing Xinhua Hong Kong are deemed to be interested in the shares of the Bank held by Wealth Honest.

- (10) Golden Harbour Investments Management Limited ("Golden Harbour") holds 440,000,000 H Shares (long position) of the Bank. The Bank was further informed by Zhongjing Xinhua by email that Wealth Honest Fund LP (a limited partnership established in the Cayman Islands) holds 100% equity interests in Golden Harbour; and Wealth Honest Cayman Holdings Company Limited (a direct wholly-owned subsidiary of Wealth Honest) is the sole general partner of Wealth Honest Fund LP and has absolute control over the operations of the partnership. Wealth Honest can 100% indirectly control Golden Harbour. For information about Wealth Honest, please refer to note (9) above. Shanghai Soong Ching Ling Foundation, Zhongjing Industry, Modern Innovation, Jing'An Silver, Zhongjing Xinhua, Zhongjing Xinhua Hong Kong, Wealth Honest, Wealth Honest Cayman Holdings Company Limited and Wealth Honest Fund LP are deemed to be interested in the shares of the Bank held by Golden Harbour.

According to the disclosure of interests forms submitted to the Hong Kong Stock Exchange by the State-owned Assets Supervision and Administration Commission of Qingdao City and its subsidiaries, Golden Harbour Global Holdings Limited, a wholly-owned subsidiary directly controlled by China Golden Harbour (Holdings) Group, holds 70% equity interests in Wealth Honest Fund LP; China Golden Harbour (Holdings) Group is a wholly-owned subsidiary directly controlled by Qingdao City Construction Financial Holding Group Co., Ltd.; Qingdao City Construction Financial Holding Group Co., Ltd. is a wholly-owned subsidiary directly controlled by Qingdao City Construction Investment (Group) Limited; Qingdao City Construction Investment (Group) Limited is wholly-owned by the State-Owned Assets Supervision & Administration Commission of Qingdao City. The State-owned Assets Supervision and Administration Commission of Qingdao City, Qingdao City Construction Investment (Group) Limited, Qingdao City Construction Financial Holding Group Co., Ltd., China Golden Harbour (Holdings) Group and Golden Harbour Global Holdings Limited are deemed to be interested in the shares of the Bank held by Golden Harbour.

- (11) Zhongjing Sihai Co., Ltd. ("Zhongjing Sihai") holds 506,102,476 Domestic Shares of the Bank. According to the relevant shareholding table from the Hong Kong Stock Exchange and business registration information publicly disclosed by Zhongjing Sihai:

In August 2019, Zhongjing Xinhua transferred its equity interests of 51.6524% in Zhongjing Sihai to Shanshan Group Co., Ltd. ("Shanshan Group"), upon which Shanshan Group owned 100% equity interests in Zhongjing Sihai. Shanshan Group is the subsidiary of Shanshan Holdings which owns its equity interests of 73.46%, which in turn is the subsidiary of Ningbo Qinggang Investment Co., Ltd. ("Ningbo Qinggang") which holds its equity interests of 61.81%. Zheng Yonggang and Zhou Jiqing hold the equity interests of 51% and 49% in Ningbo Qinggang, respectively. As such, Zheng Yonggang, Zhou Jiqing, Ningbo Qinggang, Shanshan Holdings and Shanshan Group are deemed to be interested in the shares of the Bank held by Zhongjing Sihai.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.4 SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES UNDER HONG KONG LAWS AND REGULATIONS (CONTINUED)

- (12) According to the disclosure of interests forms submitted by DRAGON SOUND INVESTMENT LIMITED, JOY GLORY HOLDINGS LIMITED, and SUPERIOR LOGIC INVESTMENTS LIMITED to the Hong Kong Stock Exchange, related parties acquired 273,449,000, 532,415,400 and 440,000,000 H Shares of the Bank. According to the form of disclosure interest submitted by Zhongjing Xinhua Hong Kong, Wealth Honest and Golden Harbour to the Hong Kong Stock Exchange, related parties entered into an agreement in relation to the disposal of shares in which they were interested. The transfer of such share interests has not been completed. Pursuant to relevant requirements of the SFO, during the period from the entering of the agreement to prior to the completion of the transfer of shares, related purchasers and vendors shall be deemed to be interested in such shares they have purchased or disposed and all of them are beneficial owners.

According to the disclosure of interests forms submitted by Zhongjing Xinhua Hong Kong, Wealth Honest and Golden Harbour to the Hong Kong Stock Exchange, Zhongjing Xinhua issued a written notice to Shanshan Holdings on behalf of all the vendors on 1 June 2020, announcing the termination of the "Framework Agreement" signed by the parties on 20 August 2019. In this regard, the relevant vendors are not required to transfer the underlying H shares to Shanshan Holdings.

According to the "Announcement on Zhongjing Xinhua Asset Investment Management Company Ltd. Regarding the Company's Material Litigations" issued by Zhongjing Xinhua on the Shanghai Stock Exchange (the "SSE") on 9 July 2020, "..... On 1 June 2020, the Company issued to Shanshan Holdings the "Notice on the Termination of the Framework Agreement between Shanshan Holdings Co., Ltd. and Zhongjing Xinhua Asset Investment Management Company Ltd. on the transfer of shares of Huishang Bank Corporation Limited and Zhongjing Sihai Co., Ltd. .... The Company has recently filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province and has been accepted. The filing for the case has now been completed." Based on the 2020 Interim Report on Corporate Bonds of Zhongjing Xinhua Asset Investment Management Co., Ltd. published on the SSE by Zhongjing Xinhua on 28 August 2020, "Progress of the dispute on transfer of equity interests in Huishang Bank with Shanshan Holdings Co., Ltd.: the company has filed a lawsuit with the Intermediate People's Court of Huangshan City, Anhui Province. As Shanshan Holdings Co., Ltd. prosecuted first, the two cases have been consolidated to Shanghai Financial Court for trial. Currently, it is pending hearing." For details, please refer to the announcement published by Zhongjing Xinhua on the SSE.

According to the "Announcement on Shanshan Group Co., Ltd. Regarding the Company's Material Litigations" issued by Shanshan Group on the SSE on 10 July 2020, "..... This lawsuit is a case involving Zhongjing Xinhua sued Shanshan Holdings, Shanshan Group, and Zhongjing Sihai for the equity transfer dispute. .... Shanshan Holdings .... filed a lawsuit with the Shanghai Financial Court on 2 June 2020 and completed the filing." For details, please refer to the announcement issued by Shanshan Group on the SSE.

- (13) According to the shareholding disclosure submitted by Shanshan Holdings and other companies to the Hong Kong Stock Exchange, Shanshan Holdings has entered into the concerted party agreement with SUPERIOR LOGIC INVESTMENTS LIMITED, DRAGON SOUND INVESTMENT LIMITED and JOY GLORY HOLDINGS LIMITED.
- (14) CITIC Securities Company Limited is interested in a total of 196,995,675 H Shares (long position) and 186,108,750 H Shares (short position) of the Bank. These equity interests are all interests of derivatives.

Save as disclosed above, the Bank is not aware of any other person (other than the directors, supervisors and chief executives (as defined in the Hong Kong Listing Rules) of the Bank) having any interests or short positions in the shares and underlying shares of the Bank as at 31 December 2020 as recorded in the register required to be kept by the Bank pursuant to section 336 of the SFO.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.5 INITIAL PUBLIC OFFERING OF A SHARES

The 2018 annual general meeting was convened by the Bank on 30 June 2019, at which, among others, the proposal for initial public offering and listing of A shares (“A Share Offering”) was considered and approved. The Bank proposed issuing no more than 1.5 billion A shares. The Resolution on the extension of the validity period of the A Share Offering Plan of the Bank and Resolution on the extension of the validity period of the authorization of the Board to deal with specific matters in respect of the A Share Offering was considered and approved at the 2019 annual general meeting held on 30 June 2020. The Bank will extend the validity period of A Share Offering Plan and the Authorization Resolution for twelve months from the next day immediately after the expiration of original validity period (namely, the extended period will be from 30 June 2020 to 29 June 2021). Other contents as set forth under the A Share Offering Plan and the Authorization Resolution remain unchanged. Please refer to the circulars of the Bank dated 15 May 2019 and 15 May 2020 for the details of the resolution on the aforesaid A Share Offering.

The Bank will publish announcements, in due course, to give the shareholders and potential investors the updates on the A Share Offering. The A Share Offering may or may not be completed, and the shareholders and potential investors are advised to exercise caution when dealing in the shares of the Bank. The obligations shall be disclosed in due course by the Bank pursuant to the requirements of the Hong Kong Listing Rules.

### 7.6 NON-PUBLIC ISSUANCE

To supplement core tier 1 capital of the Bank, a Board meeting was convened by the Bank on 20 August 2020, at which, the proposal for non-public issuance of shares (“Non-public Issuance”) under the general mandate was considered and approved. The Bank intended to issue a total of not more than 1,735,000,000 Domestic Shares to Deposit Insurance Fund Management Co., Ltd. (“DIFM”) and Anhui Transportation Holding Group Co., Ltd. (“Anhui Transportation Holding”) (collectively, the “Subscribers”) under a general mandate. On 20 August 2020, the Bank and the Subscribers entered into relevant share subscription agreements, respectively, pursuant to which the Bank has conditionally agreed to issue and the Subscribers have conditionally agreed to subscribe for an aggregate of 1,735,000,000 Domestic Shares at the subscription price of RMB5.703 per Domestic Share (the closing price of the H Shares of the Bank as quoted on the Hong Kong Stock Exchange on 20 August 2020 (i.e. the date of the Share Subscription Agreements) was HK\$2.55 per H Share). The Subscribers completed contributions on 30 December 2020. On 4 January 2021, the registration of the subscription shares under the Non-public Issuance with a total of 1,735,000,000 Domestic Shares was completed through China Securities Depository and Clearing Corporation Limited. On 30 December 2020, Ernst & Young Hua Ming LLP (Special General Partnership) verified and issued a capital verification report, confirming that the net proceeds (after deducting relevant issuance expenses) from the Non-public Issuance was RMB9,893,752,170, namely net price per Domestic Share amounting to RMB5.702. All of the net proceeds have been used in supplementing the Bank’s core tier 1 capital. For details of the aforementioned proposal for the Non-public Issuance, subscription agreements and the completion of the non-public issuance, please refer to the Bank’s announcements dated 20 August 2020 and 4 January 2021.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.7 OVERSEAS PREFERENCE SHARES

#### 7.7.1 ISSUANCE AND LISTING OF OVERSEAS PREFERENCE SHARES

On 10 November 2016, the Bank issued 44,400,000 Overseas Preference Shares on the offshore market through non-public offering at the issue price of US\$20 per share and raised US\$888 million. The Overseas Preference Shares were listed on the Hong Kong Stock Exchange on 11 November 2016. After deducting the issue expenses, the Bank applied all the proceeds raised from the issuance of the Overseas Preference Shares to replenish its additional tier 1 capital according to applicable laws and regulations and the approval from relevant regulatory authorities.

#### 7.7.2 NUMBER OF HOLDERS OF OVERSEAS PREFERENCE SHARES AND THEIR SHAREHOLDINGS

As at the end of the Reporting Period, the Bank recorded one holder of Overseas Preference Shares (or depository). Particulars of its shareholding are presented as follows:

Name of holder of overseas preference shares	Nature of shareholder	Type of shares	Increase/decrease during the Reporting Period	Shareholding percentage (%)	Total number of shares held	Number of shares held subject to selling restrictions	Number of pledged or frozen shares
DB Nominees (Hong Kong) Limited	Foreign legal person	Overseas Preference Shares	-	100	44,400,000	-	Unknown

- Notes: 1. Particulars of the shareholding of the holder of Overseas Preference Shares are based on the information in the Bank's register of holders of Overseas Preference Shares.
2. As the issuance was an offshore non-public offering, the register of holders of Overseas Preference Shares presented information on the Overseas Preference Shares held by DB Nominees (Hong Kong) Limited as the depository on behalf of the placee in the clearing systems of Euroclear Bank S.A./N.V. and Clearstream Banking S.A. as at the end of the Reporting Period.

#### 7.7.3 PROFIT DISTRIBUTION OF OVERSEAS PREFERENCE SHARES

The Board of the Bank passed a resolution on 27 August 2020, to pay dividends to the holders of the Preference Shares in accordance with the relevant laws and regulations, the Articles of Associates and the issuance terms and conditions of the Preference Shares. The total amount of dividends on the Overseas Preference Shares to be distributed shall be US\$54,266,666.67, of which, US\$48,840,000 shall be actually paid to the holders of the Preference Shares at a coupon rate of 5.5%; and US\$5,426,666.67 shall be withheld and paid as the income tax at a rate of 10% according to relevant laws and regulations. The dividend distribution date shall be 10 November 2020, and the dividend calculation period shall begin on 10 November 2019 (inclusive) and end on 10 November 2020 (exclusive). Recipients shall be the persons registered on the register of members of the Overseas Preference Shares as of the closing of such clearing systems on 9 November 2020. For more details, please refer to the announcement of the Bank dated 27 August 2020.

On 10 November 2020, the Bank completed the fourth payment of dividends for the issuance of Overseas Preference Shares.

## Chapter VII Changes in Share Capital and Particulars of Shareholders

### 7.7 OVERSEAS PREFERENCE SHARES (CONTINUED)

#### 7.7.4 REDEMPTION OR CONVERSION OF OVERSEAS PREFERENCE SHARES

During the Reporting Period, there was no redemption or conversion of Overseas Preference Shares issued by the Bank.

#### 7.7.5 RESTORATION OF VOTING RIGHTS OF OVERSEAS PREFERENCE SHARES

During the Reporting Period, there was no restoration of voting rights of Overseas Preference Shares issued by the Bank.

#### 7.7.6 ACCOUNTING POLICY ADOPTED FOR OVERSEAS PREFERENCE SHARES AND GROUNDS

Pursuant to the requirements of Accounting Standards for Enterprises No. 22 – Financial Instruments Recognition and Measurement, Accounting Standards for Enterprises No. 37 – Financial Instruments Presentation, Difference between Financial Liabilities and Equity Instruments and Relevant Accounting Requirements, and the requirements of International Accounting Standard 39 Financial Instruments: Recognition and Measurement and International Accounting Standard 32 Financial Instruments: Presentation made by the International Accounting Standards Board, the terms of the outstanding Overseas Preference Shares issued by the Bank conform to the accounting requirements for equity instruments, and are accounted for as equity instruments.



## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

					<b>Total remuneration from the Bank during the Reporting Period before tax (RMB10 thousand)<sup>(2)</sup></b>
<b>Name of current directors</b>	<b>Gender</b>	<b>Date of birth</b>	<b>Position held</b>	<b>Start of term of office</b>	
Wu Xuemin	Male	February 1968	Executive Director, Chairman	28 November 2018 30 January 2019	70.3
Zhang Renfu	Male	March 1962	Executive Director, President	28 December 2018 30 January 2019	70.3
Zhu Yicun	Male	October 1961	Non-executive Director	28 December 2018	–
Wu Tian	Male	October 1964	Non-executive Director	28 December 2018	–
Yan Chen	Male	August 1972	Non-executive Director	19 December 2019	–
Qian Dongsheng	Male	October 1967	Non-executive Director	28 December 2018	–
Gao Yang	Male	June 1966	Non-executive Director	28 November 2018	–
Wang Wenjin	Male	December 1966	Non-executive Director	28 December 2018	–
Zhao Zongren	Male	February 1956	Non-executive Director	28 November 2018	–
Dai Peikun	Male	April 1953	Independent Non-executive Director	28 December 2018	–
Zhou Yana	Female	January 1954	Independent Non-executive Director	28 November 2018	24
Liu Zhiqiang	Male	September 1956	Independent Non-executive Director	28 December 2018	18
Yin Jianfeng	Male	December 1969	Independent Non-executive Director	28 December 2018	24
Huang Aiming	Female	December 1969	Independent Non-executive Director	21 January 2019	24

					<b>Total remuneration from the Bank during the Reporting Period before tax (RMB10 thousand)<sup>(2)</sup></b>
<b>Name of current Supervisor</b>	<b>Gender</b>	<b>Date of birth</b>	<b>Position held</b>	<b>Start of term of office</b>	
He Jiehua	Male	March 1966	Employee Supervisor, Chairman of the Board of Supervisors	13 July 2020 15 July 2020	63.6
Tang Chuan	Male	November 1962	Employee Supervisor, Chairman of Labor Union	26 October 2018 30 June 2018	191.2
Zhong Qiushi	Male	February 1965	Employee Supervisor, General Manager of the Risk Management Department	26 October 2018 9 April 2018	156.5
Sun Zhen	Male	September 1976	Employee Supervisor, General Manager of the Compliance Department	13 July 2020 20 May 2020	155.9
Chen Rui	Male	November 1977	Shareholder Supervisor	28 November 2018	–
Hu Jing	Female	May 1975	Shareholder Supervisor	28 November 2018	–
Dong Xiaolin	Female	September 1963	External Supervisor	28 November 2018	21.5
Zhai Shengbao	Male	November 1976	External Supervisor	30 June 2020	11.5
Zhou Zejiang	Male	November 1983	External Supervisor	30 June 2020	11.5

## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Name of current senior management	Gender	Date of birth	Position held	Start of term of office	Total remuneration from the Bank during the Reporting Period before tax (RMB10 thousand) <sup>(2)</sup>
Zhang Renfu	Male	March 1962	Executive Director President	28 December 2018 30 January 2019	70.3
Gao Guangcheng	Male	January 1964	Executive Vice President	30 January 2019	58.9
Yi Feng	Male	August 1963	Vice President	26 September 2019	56.9
Zhang Juzhong <sup>(1)</sup>	Male	March 1969	Vice President	–	–
Xia Min <sup>(2)</sup>	Male	April 1971	Assistant to President	30 January 2019	124.1
Ni Jianxiang	Male	November 1962	Director of Retail Banking	30 January 2019	191.3
Huang Xiaoyan	Female	December 1971	Director of Investment and Wealth Management	30 January 2019	191.4
Zhou Tong	Female	September 1965	Director of Compliance and Risk Management	30 January 2019	193.3
Li Dawei	Male	July 1964	Financial Controller	30 January 2019	191.6
Lian Baohua	Male	August 1965	Secretary to the Board	30 January 2019	189.9

#### Notes:

- (1) The Board of Directors of the Bank held a meeting on 2 February 2021 and appointed Mr. Zhang Juzhong as the vice president of the Bank. His qualification as the vice president is subject to the approval of CBIRC Anhui Office.
- (2) Xia Min, an assistant to the president, is suspected to be involved in violation of regulations and disciplines and relevant authorities are conducting verification and learning about it.



## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.1 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

Name of resigned personnel	Gender	Date of birth	Position held	Term of office	Total remuneration from the Bank during the Reporting Period before tax (RMB10 thousand) <sup>(2)</sup>
Zhang Youqi	Male	October 1965	Former Employee Supervisor	26 October 2018 – 21 April 2020	22.1
			Former Chairman of the Board of Supervisors	13 December 2018 – 21 April 2020	
Pan Shujuan	Female	October 1955	Former External Supervisor	28 November 2018 – 30 June 2020	10
Li Ruifeng	Male	February 1970	Former Shareholder Supervisor	28 November 2018 – 21 January 2021	–
Yang Mianzhi	Male	July 1969	Former External Supervisor	28 November 2018 – 21 January 2021	20
Gao Chunming	Female	April 1964	Former Director of Corporate Banking	30 January 2019 – 28 August 2020	183.9

Notes: (1) For details of the position changes of above directors, supervisors and senior management, please refer to “CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK” under section 8.2 of this annual report.

(2) This report only disclosed the remuneration of the above executive directors, employee supervisors and senior management during their term of office in the Bank. Pursuant to the requirements of the relevant PRC authorities, the remuneration payable to the executive directors, employee supervisors and senior management of the Bank above is still subject to final confirmation. Further disclosure will be made after the confirmation of the final remuneration. The total remuneration before tax from the Bank during the Reporting Period includes the “five insurances and housing provident fund” and the portion of corporate contribution to enterprise annuity.

## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK

1. The Bank announced on 21 April 2020 that, Mr. Zhang Youqi, due to work adjustment, resigned from the positions as an employee supervisor, chairman of the Board of Supervisors, member of the Nomination Committee under the Board of Supervisors and member of the Supervisory Committee under the Board of Supervisors of the Bank, with effect from 21 April 2020.
2. The Bank convened the 2019 annual general meeting on 30 June 2020, at which the elections of Mr. Zhai Shengbao and Mr. Zhou Zejiang as external supervisors of the fourth session of the Board of Supervisors of the Bank have been considered and approved. Their terms of office as Supervisors will be the same as the term of the fourth session of the Board of Supervisors of the Bank.
3. The Bank announced on 14 October 2019 that, Ms. Pan Shujuan, an external supervisor of the Bank, resigned as an external supervisor of the Bank, the chairman and a member of the Nomination Committee under the Board of Supervisors because she had served as an external supervisor of the Bank for six years. Her resignation as an external supervisor and a member of the Nomination Committee under the Board of Supervisors of the Bank would take effect on the date upon the formal appointment of her successor of external supervisor by the Bank. As at 30 June 2020, her successor of external supervisor was elected at the 2019 annual general meeting of the Bank. Ms. Pan Shujuan's resignation took effect on the same date.
4. The Bank announced on 10 July 2020 that, Mr. He Jiehua tendered his resignation to the Bank as an executive director and chairman of the Risk Management Committee of the Bank due to internal job rearrangement. His resignation took effect on the same date.
5. The Bank announced on 15 July 2020 that Mr. He Jiehua and Mr. Sun Zhen have been elected to be employee representative supervisors of the Bank through the employees' democratic election procedures of the Bank on 13 July 2020; the Board of Supervisors of the Bank convened the 18th meeting of the fourth session of the Board of Supervisors on 15 July 2020, at which Mr. He Jiehua was elected to be the chairman of the Board of Supervisors. The terms of office for the abovementioned employee representative supervisors and the chairman of the Board of Supervisors will be the same as the term of the fourth session of the Board of Supervisors of the Bank.
6. The Bank announced on 27 August 2020 that the Board of the Bank passed a resolution on 27 August 2020 to appoint Mr. Qian Dongsheng, a non-executive Director, as a new member to the Audit Committee of the fourth session of the Board. His term of office commences from the same day and ends at the date of re-election of members of the fourth session of the Board of the Bank.
7. Ms. Gao Chunming, the director of Corporate Banking of the Bank, tendered her resignation to the Bank on 28 August 2020 due to internal job rearrangement, resigning from the position as the director of Corporate Banking of the Bank with immediate effect.
8. The Bank made an announcement on 21 January 2021, announcing that Mr. Li Ruifeng resigned from the positions as a shareholder representative supervisor and a member of the Nomination Committee of the Bank due to work adjustment. Mr. Yang Mianzhi resigned from the positions as an external supervisor, chairman and a member of the Supervision Committee of the Bank due to his heavy business commitment. The resignations of both Mr. Li Ruifeng and Mr. Yang Mianzhi took effect on 21 January 2021.

## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.2 CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE BANK (CONTINUED)

9. The Board of Directors of the Bank held a meeting on 2 February 2021 and proposed to appoint Mr. Zhang Juzhong as the vice president of the Bank. His qualification as the vice president is subject to the approval of CBIRC Anhui Office.
10. Save as disclosed above, pursuant to the requirement of Rule 13.51B(1) of the Hong Kong Listing Rules, the changes in the information of directors, supervisors and senior management of the Bank during the Reporting Period are as follows:
  - (1) Mr. Zhu Yicun, a non-executive director of the Bank, ceased to be the general manager of Anhui Energy Group Co., Ltd. and the chairman of Anhui Wenergy Company Limited.
  - (2) Mr. Wang Wenjin, a non-executive director of the Bank, ceased to be a director of China Vanke Co., Ltd.
  - (3) Mr. Yan Chen, a non-executive director of the Bank, acted as a director of Chery Automobile Co., Ltd.
  - (4) Ms. Zhou Yana, an independent non-executive director of the Bank, ceased to be a professor at School of Business of Anhui University and acted as an independent director of Anhui Transport Consulting & Design Institute Co., Ltd.
  - (5) Mr. Zhong Qiushi, an employee representative supervisor of the Bank, acted as a director of Huishang Bank Wealth Management Co., Ltd.
  - (6) Mr. Chen Rui, a shareholder supervisor of the Bank, serves as a director of Hefei Big Data Asset Operation Co., Ltd., Hefei Xingtai Technology Microfinance Limited and Hefei Xingtai Microfinance Limited and a supervisor of Anhui Xingtai Financial Leasing Co., Ltd.
  - (7) Ms. Dong Xiaolin, an external supervisor of the Bank, acted as an independent director of Nanjing Securities Co., Ltd.
  - (8) Mr. Zhai Shengbao, an external supervisor of the Bank, acted as an independent director of Anhui Deli Household Glass Co., Ltd.
  - (9) Mr. Zhou Zejiang, an external supervisor of the Bank, acted as an independent director of Wanxin Media Co., Ltd. and ceased to be an independent director of Anhui Ankai Automobile Co., Ltd. and Anhui JoYin Information Technology Co., Ltd.

Save as disclosed above, during the Reporting Period, the Bank was not aware of any change in the information of directors, supervisors or senior management which required to be disclosed pursuant to the requirements of the Rule 13.51B(1) of the Hong Kong Listing Rules.

## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

#### Directors

**Mr. Wu Xuemin**, joined the Bank in October 2010, is currently an executive director and the chairman of the Bank. His primary working experience includes: deputy director of the newspaper and theories department of China Construction Bank, deputy director of the administration office of China UnionPay Co., Ltd., general manager of Anhui Branch of China UnionPay Co., Ltd., general manager of the strategic development department and legal compliance department of China UnionPay Co., Ltd. and the president of the Bank. Mr. Wu, a senior economist, obtained a master's degree in economics from Renmin University of China and a master's degree in business administration for senior management from Fudan University.

**Mr. Zhang Renfu**, joined the Bank in December 2005. He is currently an executive director and the president of the Bank. His primary working experience includes: the deputy director of the liaison division, a researcher at the third division of the secretariat, the deputy director of the fifth division, the deputy director of the secretariat and the deputy director of the second division of the secretariat of the general office of Anhui Provincial Government, and the deputy director in charge of the work of the finance office of Anhui Provincial Government as well as an executive director, employee supervisor and the chairman of the Board of Supervisors of the Bank. Mr. Zhang, a senior economist, obtained a master's degree in law from Renmin University of China.

**Mr. Zhu Yicun**, joined the Bank in December 2018, is currently a non-executive director of the Bank. His primary working experience includes: the head of Liuqiao No.1 Mine of Wanbei Mining Bureau, the chairman and the general manager of Anhui Hengyuan Coal-Electricity Group Co., Ltd., the deputy general manager of Wanbei Coal-Electricity Group Co., Ltd., the deputy general manager of Anhui Province Energy Group Company Limited and the general manager of Anhui Province Energy Group Company Limited, and the chairman of Anhui Wenergy Company Limited. He is currently the chairman of Anhui Province Energy Group Company Limited and a director of Guoyuan Securities Co., Ltd. Mr. Zhu, a senior engineer, obtained a master's degree in control engineering from China University of Mining and Technology.

**Mr. Wu Tian**, joined the Bank in December 2018, is currently a non-executive director of the Bank. His primary working experience includes: the counsellor and deputy secretary of Communist Youth Party Committee at Anhui Technical Institute, the director of the third division of the general office and the deputy chief (director-level) of the second division of the general office of Anhui Provincial Government, the deputy general manager, the general counsel, a director and the general manager of Anhui Expressway Holding Corporation and the deputy general manager of Anhui Guoyuan Holding (Group) Co., Ltd. He is currently the general manager of Anhui Guoyuan Financial Holding Group Co., Ltd. He obtained a master's degree in engineering from Zhejiang University.

**Mr. Yan Chen**, joined the Bank in December 2019, is currently a non-executive director of the Bank. He was a section-chief grade clerk of the planning division of the comprehensive planning bureau, the deputy director of the general division of the propaganda department of the party committee, and the deputy director of the rating methods and standards division of the credit administration bureau of the China Development Bank, the deputy director of the SME Development Bureau of Anhui Province, the deputy director of the Anhui Provincial Economic Commission, the deputy director of the Anhui Economic and Information Technology Commission, the deputy mayor of Chizhou City, a member of the Standing Committee of the Xuancheng Municipal Committee, a minister of the Organization Department of Xuancheng City and the deputy secretary of the Xuancheng Municipal Committee. He is currently the chairman of Anhui Credit Guaranty Group Co., Ltd., the chairman of Chery Automobile Co., Ltd. and holds a doctorate in economics from Renmin University of China, and is an economist.

## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

#### Directors (Continued)

**Mr. Qian Dongsheng**, joined the Bank in December 2018, is currently a non-executive director of the Bank. His primary working experience includes: deputy chief of supervision division, chief of construction division of Anhui Provincial High Grade Highway Administration Bureau, the director of engineering construction division of Anhui Expressway Holding Corporation, and the deputy general manager of Anhui Expressway Holding Group Company Limited. He is currently the general manager and a director of Anhui Transportation Holding Group Co., Ltd. Mr. Qian, a senior engineer, obtained a master's degree in engineering from the University of Science and Technology of China.

**Mr. Gao Yang**, joined the Bank in December 2009, is currently a non-executive director of the Bank. Mr. Gao was the chairman of the board of directors of China Strategic Holdings Limited and the chairman of Zhongjing Sihai Co., Ltd. He is currently the chairman of Zhongjing Industry (Group) Co., Ltd., and Zhongjing Xinhua Asset Investment Management Co., Ltd., director of WEALTH HONEST LIMITED and Zhongjing Xinhua Asset Investment Management (Hong Kong) Co., Ltd. and the chairman of Guosheng Huaxing Investment Co., Ltd. Mr. Gao studied hotel management at Meini Vocational School in Vienna from March 1985 to March 1987 as a guest student.

**Mr. Wang Wenjin**, joined the Bank in December 2018, is currently a non-executive director of the Bank. Mr. Wang was the general manager of financial management department, the financial controller, the executive vice chairman, the chief financial officer and the chief risk officer and a director of China Vanke Co., Ltd. He is currently a group partner of China Vanke Co., Ltd. Mr. Wang, a non-practising member of the Chinese Institute of Certified Public Accountants, obtained a master's degree from Zhongnan University of Economics and Law.

**Mr. Zhao Zongren**, joined the Bank in October 2014, is currently a non-executive director of the Bank. His primary working experience includes: director of the office of Jining Branch, president of Qufu Sub-branch, vice president of Jining Branch, and chief of the planning office and the finance planning office of Shandong Branch of China Construction Bank Corporation Limited, deputy general manager of Shandong Branch and general manager of Guangxi Branch of China Cinda Asset Management Co., Ltd., and assistant to the president and chief supervisor of Sunshine Insurance Group Corporation Limited. Mr. Zhao is a vice chairman and executive director of Sunshine Insurance Group Corporation Limited. Mr. Zhao, a senior economist, obtained a master's degree from the investment department of Dongbei University of Finance and Economics.

**Mr. Dai Peikun**, joined the Bank in December 2018, is currently an independent non-executive director of the Bank. His primary working experience includes: the deputy director (deputy director-level) of industrial economics research division of Anhui Economic and Cultural Research Center, the deputy head, the head, an assistant to the director, the deputy director and an inspector (department level) of the Finance and Trade Economics Division and International Economics Division of the Development Research Center of Anhui Provincial Government. He obtained a master's degree in economics from Peking University.

## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

#### Directors (Continued)

**Ms. Zhou Yana**, joined the Bank in August 2018, is currently an independent non-executive director of the Bank. Ms. Zhou was a lecturer, an associate professor and a professor, and the department head, the vice president, the executive vice president of the School of Economics of Anhui University and the dean of the School of Business Administration of Anhui University and a professor of the School of Business of Anhui University. She is currently an independent director of Hefei Urban Construction Development Co., Ltd., Anhui Gourgen Traffic Construction Co., Ltd., Anhui Landun Photoelectron Co., Ltd. and Anhui Transport Consulting & Design Institute Co., Ltd. She obtained a master's degree in accounting from Anhui University.

**Mr. Liu Zhiqiang**, joined the Bank in December 2018, is currently an independent non-executive director of the Bank. His primary working experience includes: the deputy director and the director of the planning bureau and the statistics and analysis department of the People's PBOC, and the director of Hong Kong-Macau-Taiwan financial affair office of the PBOC, the deputy head of the economics department of Xinhua News Agency, Hong Kong Branch, the deputy general manager of Guangdong International Trust Investment Corporation, the president of Guangdong Development Bank, the vice president of China CITIC Bank, a director and the vice president of CITIC Holdings, a director of CITIC Group, the chairman of CITIC Asset Management Corporation and the chairman of CITIC Xinbang Asset Management Corporation Ltd. He obtained a doctorate degree in economics from Zhongnan University of Economics and Law.

**Mr. Yin Jianfeng**, joined the Bank in December 2018, is currently an independent non-executive director of the Bank. Mr. Yin was the executive vice president of CEIBS Lujiazui Institute of International Finance, and the deputy director of the Finance Institute of Chinese Academy of Social Sciences. He is currently a professor of the finance department and an instructor of doctorate students (entitled to the "special government allowance" granted by the State Council) at the University of International Business and Economics and the chief economist of China Zheshang Bank Co., Ltd. He obtained a doctorate degree in finance from Chinese Academy of Social Sciences.

**Ms. Huang Aiming**, joined the Bank in January 2019, is currently an independent non-executive director of the Bank. She had worked for Agricultural Bank of China, Shenzhen Branch and Shenzhen Zhuojun Wangcai Investment Management Co., Ltd. She is currently the president of China International Capital Limited and the chairman of Shenzhen Huichuang Equity Investment Fund Management Co., Ltd. She obtained a master's degree in economics at the Department of Political Science of Xiamen University and a Finance EMBA degree from Cheung Kong Graduate School of Business.

#### Supervisors

**Mr. He Jiehua**, joined the Bank in March 2019, is currently a Employee Supervisor and Chairman of the Board of Supervisors of the Bank. He held various positions in the Audit Department of Anhui Province, including the deputy section chief and section chief of the treasury division, the assistant to director (section-chief grade) and deputy director of the finance division, director of the finance and audit division, director of the human resources and education division, and chief of retired cadre office, chief auditor and deputy director-general. He is an executive director of the Bank. He obtained a master's degree in management from Hefei University of Technology. He is a senior auditor and certified public accountant.

## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

#### Supervisors (Continued)

**Mr. Tang Chuan**, joined the Bank in January 2006, is currently an employee supervisor and the chairman of labor union of the Bank. Mr. Tang once worked as deputy director of the comprehensive planning section and manager of the international business department of Ma'anshan Sub-branch of China Construction Bank, director of the construction office, deputy director of the home loans department and deputy director (leading role of the section) of the housing office of the Ma'anshan Branch of China Construction Bank, manager of the credit business department and vice president of Ma'anshan City Commercial Bank, as well as vice president (in charge of operations) and president of Ma'anshan Branch of the Bank, general manager of human resources department of the Bank, chairman of labor union and general manager of the human resources department of the Bank. Mr. Tang, a senior economist, obtained an Executive Master of Business Administration (EMBA) degree from the University of Science and Technology of China.

**Mr. Zhong Qiushi**, joined the Bank in January 2002, is currently an employee supervisor and the general manager of the risk management department of the Bank, as well as a supervisor of Huishang Bank Financial Leasing Co., Ltd and a director of Huishang Bank Wealth Management Co., Ltd. (徽銀理財有限責任公司). He once served as the vice president of Feixi County Sub-branch, vice president (in charge of operations) and person-in-charge of the credit operation department of Hefei branch of China Construction Bank, president of the Sipailou Branch and the Youth Road Branch of Hefei City Commercial Bank, and the general manager of the corporate banking department of the Hefei Branch of the Bank, an assistant to the president of the Huaibei Branch, and the deputy general manager and deputy general manager (in charge of general operations) and the general manager of the credit assessment department of the head office, the president of the Bengbu Branch of the Bank. Mr. Zhong, a senior economist, obtained an Executive Master of Business Administration (EMBA) degree from the University of Science and Technology of China.

**Mr. Sun Zhen**, joined the Bank in March 1999, is currently an employee supervisor and the general manager of the Compliance Department of the Bank. He held various positions, including an assistant to the president of Huangshan Road Sub-branch of Wuhu City Commercial Bank, the deputy manager and manager of remuneration and benefits management of the Human Resources Department of the Bank, an assistant to the president of Huainan Branch, the vice president of Huainan Branch and the secretary of the discipline inspection committee of Chizhou Branch. Mr. Sun, an economist, obtained a master's degree in business administration from Anhui University.

**Mr. Chen Rui**, joined the Bank in November 2018, is currently a shareholder supervisor of the Bank. He had served as the secretary, the deputy director and the director of the president office of Hefei Xingtai Holdings Group Co., Ltd., the deputy general manager, the general manager and the chairman of Hefei Xingtai Asset Management Co., Ltd., and a director of Hefei Department Store Group Co., Ltd. He is currently a director and the deputy general manager of Hefei Xingtai Financial Holdings (Group) Co., Ltd., the chairman of Hefei Xingtai Financing Guarantee Group Co., Ltd., the chairman of Hefei Xingtai Guarantee Industry Security Operating Co., Ltd. and a director of CCB Trust Co., Ltd., Hefei Big Data Asset Operation Co., Ltd., Hefei Xingtai Technology Microfinance Limited and Hefei Xingtai Microfinance Limited and a supervisor of Anhui Xingtai Financial Leasing Co., Ltd. Mr. Chen, a senior economist, obtained a master's degree in political economics from the School of Economics of Anhui University.

## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

#### Supervisors (Continued)

**Ms. Hu Jing**, joined the Bank in November 2018, is currently a shareholder supervisor of the Bank. She was an accountant of Anhui Education Press, the manager of the finance department of Anhui Dianshi Information Technology Co., Ltd., and an audit manager of Anhui Jiutong Certified Public Accountants. She is currently the director of the finance and accounting department of Anhui Publishing Group Co., Ltd. Ms. Hu, a Chinese certified public accountant and a senior accountant, obtained a master's degree in business management from the University of Science and Technology of China.

**Ms. Dong Xiaolin**, joined the Bank in November 2018, is currently an external supervisor of the Bank. Her primary working experience includes: a teaching assistant, a lecturer and an associate professor of Nanjing Agricultural University and an independent director of Jiangsu Gaochun Rural Commercial Bank Corporation Limited, Jiangsu Donghai Rural Commercial Bank and Jiangsu Lishui Rural Commercial Bank. She is currently a professor and an instructor of doctorate students in the college of finance in Nanjing Agricultural University, and is concurrently a director of Key Research Base of Philosophy and Society Science in Jiangsu Province, namely, Rural Financial Development Research Center of Jiangsu Province in Nanjing Agricultural University, and she is a member of the Finance Institute of Nanjing City, a member of Expert Committee of Nanjing Finance Promotion Council and an independent director of Anhui Langxi Rural Commercial Bank (安徽郎溪農村商業銀行) and Nanjing Securities Co., Ltd. She obtained a doctorate degree majoring in the management of agricultural economy from Nanjing Agricultural University.

**Mr. Zhai Shengbao**, joined the Bank in June 2020, is currently an external supervisor of the Bank. He is currently the dean of the School of Accounting of Anhui University of Finance and Economics, and concurrently serves as the executive member and deputy secretary-general of the Finance Cost Branch of the Accounting Society of China, chairman of the board of supervisors of the Anhui Institute of Internal Auditors, and an independent director of Wuxi Smart Auto-control Engineering Co., Ltd., Bethel Automotive Safety Systems Co., Ltd., Anhui Zhongding Sealing Parts Co., Ltd. and Anhui Deli Household Glass Co., Ltd. He holds a doctorate degree in Accounting from Dongbei University of Finance and Economics and is an instructor of doctorate students (concurrently) and postdoctor in business administration at Peking University.

**Mr. Zhou Zejiang**, joined the Bank in June 2020, is currently an external supervisor of the Bank. He served as an independent director of Anhui Annada Titanium Industry Co., Ltd., Anhui Anke Biotechnology (Group) Co., Ltd. and Ankai Automobile Co., Ltd. He is currently a professor at School of Business, an instructor of postgraduates in accounting, and an instructor of doctoral students in finance (corporate finance and capital market) of Anhui University, and concurrently a communication evaluation expert of projects under the National Natural Science Foundation of China, the National Philosophy and Social Science Foundation and a member of the review committee of senior accountants of Anhui Province. He also serves as an independent director of Guoyuan Securities Co., Ltd., Wuhu Conch Profiles and Science Co., Ltd., Wanxin Media Co., Ltd. and Earth-Panda Advance Magnetic Material Co., Ltd. He holds a doctorate degree in Accounting from Xiamen University.



## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

#### Senior management

**Mr. Zhang Renfu** is an executive director and the president of the Bank. Please refer to “Directors” section in this chapter for details of his biography.

**Mr. Gao Guangcheng**, joined the Bank in February 1997, is currently an executive vice president of the Bank. His primary working experience includes: president of Sub-branch of Hefei City Commercial Bank, assistant to the president, vice president and then president of Hefei City Commercial Bank, and president of Hefei Branch of the Bank. Mr. Gao, a senior economist, obtained a bachelor’s degree in economics from Anhui University of Finance and Economics.

**Mr. Yi Feng**, joined the Bank in May 2009, is currently an vice president of the Bank. His primary working experience includes: deputy director of the administration office of CCB Anhui Branch, president of CCB Huangshan Branch, director of the entrustment loan department of CCB Anhui Branch, general manager of the institution and investment banking department of CCB Anhui Branch, president of CCB Hefei Sanxiaokou Sub-branch, and president of CCB Hefei City West Sub-branch, and president of Hefei Branch, assistant to president and president of Hefei Branch of the Bank and assistant to the president and secretary to the board. Mr. Yi, a senior economist, obtained a master’s degree in arts from Xiamen University.

**Mr. Zhang Juzhong**, joined the Bank in January 2021, is currently a vice president of the Bank. His qualification as the vice president is subject to the approval of CBIRC Anhui Office. Mr. Zhang previously served as vice president (in charge of work) of Suixi Road Sub-branch of Hefei Branch of the Bank of China, vice president of Anhui Chaohu Branch of the Bank of China, vice president of Hefei Nancheng Sub-branch of the Bank of China, president of Anhui Suzhou Branch of the Bank of China, general manager of the SMEs Department of Anhui Branch of the Bank of China, president of Anhui Maanshan Branch of the Bank of China. Mr. Zhang, a certified public accountant, obtained a bachelor’s degree in economics from Anhui Institute of Finance & Economics (安徽財貿學院).

**Mr. Xia Min**, joined the Bank in February 1997, is currently an assistant to the president of the Bank and concurrently the Chairman of Huishang Bank Wealth Management Co., Ltd. (徽銀理財有限責任公司). His primary working experience includes: assistant to the president of Changjiang Middle Road Sub-branch of Hefei City United Bank, vice president of Xiaoyaojin Sub-branch of Hefei City Commercial Bank, general manager of the fund and planning department of Hefei City Commercial Bank, assistant to the president, vice president of Hefei City Commercial Bank, assistant to the president and general manager of the planning and finance department of the Bank, assistant to the president and general manager of the assets and liabilities department of the Bank, and assistant to the president and president of Hefei Branch of the Bank. Mr. Xia, an economist, obtained a doctoral degree in economics from the Research Institute for Fiscal Science of the Ministry of Finance. Mr. Xia Min is suspected to be involved in violation of regulations and disciplines and relevant authorities are conducting verification and learning about it.

**Mr. Ni Jianxiang**, joined the Bank in January 2006, is currently the director of retail banking of the Bank. He previously served as the deputy director of the Xijiao Office of Bengbu Branch of CCB; manager of Bengbu Office of Anhui Provincial Trust and Investment Company, president of the High and New Technology District Sub-branch and vice president of Bengbu Branch; vice president and president of Bengbu City Commercial Bank; president of Fuyang Branch of the Bank, general manager of the organizational management department, president of Wuhu Branch, general manager of Credit Card Center, the director of retail banking and general manager of Credit Card Center. Mr. Ni, an economist, obtained a bachelor’s degree in management from Anhui University of Finance and Economics.

## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.3 PROFILE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

#### Senior management (Continued)

**Ms. Huang Xiaoyan**, joined the Bank in February 1997, is currently the director of investment and wealth management of the Bank. She previously served as the general manager of the capital operation department of Hefei City Commercial Bank; deputy general manager in charge of the work of the capital operation department of the Bank, general manager of the financial market department, general manager of the asset and liability management department and general manager of the financial market department, general manager of the assets management department, and director of investment and wealth management and general manager of the asset and liability management department of the Bank. Ms. Huang, a senior economist, obtained an executive master of business administration (EMBA) degree from the University of Science and Technology of China.

**Ms. Zhou Tong**, joined the Bank in February 1997, is currently the director of compliance and risk management of the Bank. She previously served as director of Treasury Securities Services Department and deputy director of the Finance Bureau of Xishi District, Hefei City; president of Meng Cheng Road Sub-branch of Hefei City Commercial Bank; president of Changjiangxi Road Sub-branch of Hefei Branch of the Bank; an assistant to the president, vice president and president of Anqing Branch; general manager of the Compliance Department and an employee supervisor of the Bank, director of compliance and risk management and general manager of the compliance department of the Bank. She graduated with an EMBA degree from University of Science and Technology of China, and is an accountant and a senior economist.

**Mr. Li Dawei**, joined the Bank in February 1997 and is currently the financial controller of the Bank. He previously served as an assistant to the president of Hefei Branch of the Bank, deputy general manager of the planning and finance department, deputy general manager (in charge of work) and general manager of the accounting management department of the Bank, general manager of the accounting management department and general manager of the operations management department as well as general manager of the financial accounting department and general manager of the operations management department, financial controller and general manager of the financial accounting department of the Bank. He obtained a bachelor's degree in economics from Shanghai University of Finance and Economics, and is an accountant and a certified public accountant.

**Mr. Lian Baohua**, joined the Bank in July 2014, is currently the secretary to the board of the Bank. He previously served as deputy section officer and section officer of the department of industrial economics and an assistant to the director of international economic affairs division of Development Research Center of Anhui Provincial Government; deputy director of the planning committee of Tongling City; director of international economic affairs division and finance division of Development Research Center of Anhui Provincial Government; director of Decision-Making magazine; director and deputy general manager of Anhui BBKA Pharmaceuticals Co., Ltd., general manager of the research and development department, secretary to the board and general manager of the research and development department of the Bank. He obtained a doctorate degree in economics from Nanjing University and was an assistant researcher.

## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.4 THE ASSESSMENT INCENTIVE MECHANISM AND ANNUAL REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Bank provides remunerations to independent directors and external supervisors according to the Proposals on Subsidies to Independent Directors of the Bank and Subsidies to External Supervisors of the Bank, and provides remuneration to executive directors, employee supervisors and senior management according to the “Measures of Huishang Bank on Directors’ Remuneration”, the “Measures of Huishang Bank on Supervisors’ Remuneration”, and the “Measures of Huishang Bank on Senior Management’s Remuneration”.

The non-executive directors and shareholder supervisors do not receive any remuneration from the Bank.

According to the “Performance Appraisal Measures of the Board of Supervisors of Huishang Bank on the Board of Directors and Directors (Amended)”, the “Performance Appraisal Measures of the Board of Supervisors of Huishang Bank on Senior Management and its Members (Amended)”, and the “Performance Appraisal Measures on the Board of Supervisors and Supervisors of Huishang Bank (Amended)”, the Board of Supervisors of the Bank assesses annually the duties performance by directors, supervisors and the senior management.

Mr. Dai Peikun, an independent non-executive director of the Bank, voluntarily gives up the remuneration from the Bank. Mr. Liu Zhiqiang, an independent non-executive director of the Bank, voluntarily gives up the remuneration from the Bank from the fourth quarter of 2020. Other than Mr. Dai Peikun and Mr. Liu Zhiqiang, no director of the Bank gave up or agreed to give up any remuneration from the Bank during the Reporting Period as described in Rule 24A of Appendix 16 to the Hong Kong Listing Rules. The details of directors, supervisors’ and senior management’s remunerations received from the Bank for the year are stated in section 8.1 “Directors, Supervisors and Senior Management” of this annual report. The top five highest paid individuals of the year are listed in Note 14 of the financial statements.

### 8.5 EMPLOYEES

As of 31 December 2020, the Bank had a total of 10,688 employees in service. Academic distribution: The number of employees with master’s degrees or above was 1,930, accounting for 18.06%. The number of employees with full-time bachelor’s degrees was 5,420, accounting for 50.71%. The number of employees with part-time bachelor’s degrees was 2,509, accounting for 23.47%. The number of employees with junior college degrees or below was 829, accounting for 7.76%.

## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

### 8.5 EMPLOYEES (CONTINUED)

#### Staff remuneration policy

The Bank's remuneration policy aims to establish a well-developed, scientific and efficient incentive and control mechanisms to give full play to the orientation of the remuneration in operation and management and risk control, and stimulate stable operation and sustainable development. The Bank sticks to the management strategy which is conducive to the achievement of strategic goals, the enhancement of competitiveness, talent cultivation and risk control, and regards the efficiency as the paramount role while following the principle of fairness. Within the unified framework, the Bank takes advantages of its initiatives and creativity.

The Bank manages remuneration through three levels, namely the Board of Directors, senior management, and head office and branches. The Board of Directors manages the total amount of remuneration and senior management's remuneration. Under the Board's request, the senior management allocates the total amount of remuneration and drafts policy management of all branches. All branches manage employee salary within the scope of unified rules and framework.

#### Staff training plan

Focusing on the strategic requirements on "digital transformation" and the business development needs for the year, the Bank conducted annual trainings with different categories at different levels to provide guarantees for staff professionalism enhancement and their career development and growth, and to provide talent guarantees and intellectual support for comprehensive construction of a well-developed modern bank. During the Reporting Period, the Bank organized and provided various trainings and the construction of internal trainer teams by making full use of three training channels, namely, the training center, the online training platform "Huiyin Internet School", and the mobile learning platform "Huiyin Academy". In 2020, the Bank organized a total of 1,029 training programs and 269,500 participants accepted trainings with a total of 1,004,200 training hours. An average of 25.21 trainings was provided for each employee with an average of 93.94 hours for each employee. Meanwhile, the Bank effectively responded to the COVID-19 pandemic, actively carried out online training, recorded 118 courses, held 137 live training sessions, and approximately 197,500 participants participated in the training. Huiyin Internet School launched 173 courses and 210,900 participants took the courses; Zhiniaoh Huiyin School (知鳥徽銀學堂) launched 710 online courses and 879,800 participants viewed the courses, and the Bank has set up an special column for pandemic prevention to update COVID-19 pandemic data in real time.

## Chapter VIII Profile of Directors, Supervisors, Senior Management, Employees and Institutions

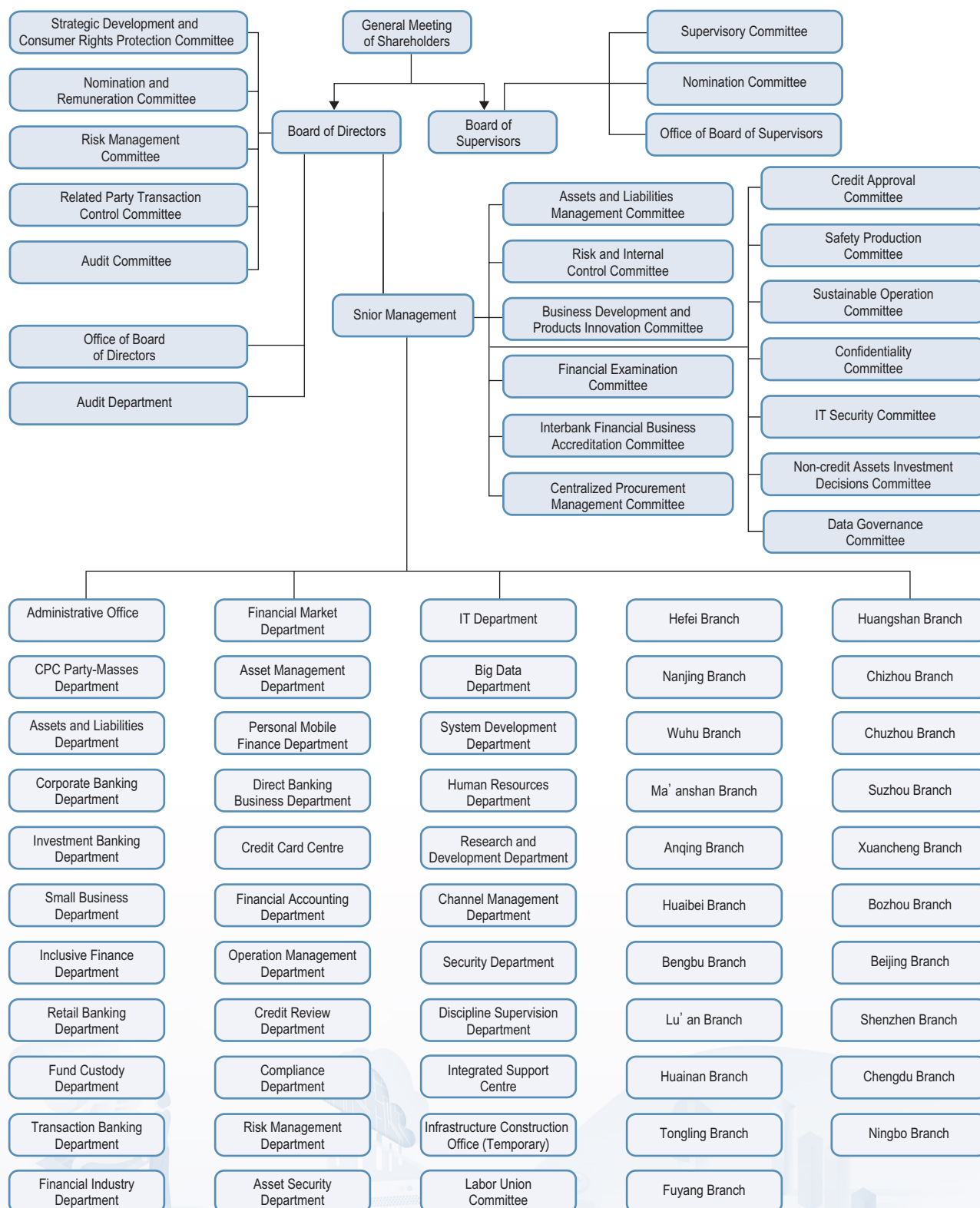
### 8.6 BRANCHES

As of 31 December 2020, the composition of branches of the Bank is as follows:

Region	Name of the Institution	Address (China)	Post code	Number of Branch
Head Office	Head Office	Block A, Tianhui Building, 79 Anqing Road, Hefei	230001	1
Anhui Province	Hefei Branch	No. 626, Huangshan Road, Gaoxin District, Hefei	230001	96
	Wuhu Branch	No. 1, Beijing Road, Wuhu	241000	35
	Ma'anshan Branch	No. 3663, Taibai Road, Yushan District, Ma'anshan	243000	26
	Anqing Branch	No. 528, Renmin Road, Anqing	246000	29
	Huaibei Branch	No. 253, Renmin Zhong Road, Xiangshan District, Huaibei	235000	21
	Bengbu Branch	No. 1018, Huaihe Road, Bengbu	233000	28
	Lu'an Branch	Kaixuan International Square, Meishan Nan Road, Lu'an	237000	30
	Huainan Branch	No. 39, Shungeng Xi Road, Huainan	232000	21
	Tongling Branch	No. 999, Yangjiashan Road, Tongling	244000	15
	Fuyang Branch	No. 666, Yidaohe Road, Fuyang	236000	28
	Huangshan Branch	No. 2, Tunguang Avenue, Tunxi District, Huangshan	245000	11
	Chizhou Branch	No. 515, Changjiang Zhong Road, Chizhou	247000	12
	Chuzhou Branch	No. 95, Longpan Main Road, Chuzhou	239000	14
	Suzhou Branch	No. 123, Yinheyi Road, Suzhou	234000	17
	Xuancheng Branch	No. 109, Meiyuan Road, Xuanzhou District, Xuancheng	242000	15
	Bozhou Branch	No. 277, Xiangzhang Mansion, West Shaohua Road, Bozhou	236000	13
	Jiangsu Province	Nanjing Branch	No. 231, Zhongyang Road, Nanjing	210000
Beijing	Beijing Branch	No. 115 Beisihuan East Road, Chaoyang District, Beijing	100020	16
Guangdong Province	Shenzhen Branch	1-3/F, Modern International Building, 3038 Jintian Road, Futian District, Shenzhen	518000	12
Sichuan Province	Chengdu Branch	Libo Building, No. 57, Jinxing Road, Jinjiang District, Chengdu	610000	23
Zhejiang Province	Ningbo Branch	No. 676, Zhongxing Road, No. 787, No. 799 and No. 809 Baizhang East Road, Yinzhou District, Ningbo	315100	23
<b>Total</b>				<b>498</b>

# Chapter IX Corporate Governance Report

## 9.1 CORPORATE GOVERNANCE STRUCTURE



## Chapter IX Corporate Governance Report

### 9.2 CORPORATE GOVERNANCE

The Bank is committed to maintaining a high standard of corporate governance and actively endeavours to adhere to international and domestic corporate governance best practices so as to safeguard the interests of shareholders and enhance corporate value. The Bank established a comparatively comprehensive corporate governance structure through clarifying the responsibilities of general meetings, the Board of Directors, the Board of Supervisors and senior management, and constantly improving the Bank's decision-making, execution and supervision mechanisms to ensure the independent operation of various parties and an effective check and balance.

During the Reporting Period, apart from paragraphs A.5.1 of the code provisions of the Corporate Governance Code in Appendix 14 to the Hong Kong Listing Rules, the Bank has strictly complied with the provisions of the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and conforms to substantially all of the recommended best practices set forth therein. For the deviation by the Bank from code provisions of the Corporate Governance Code, please refer to the descriptions in Sections 9.5.2 of this Chapter.

The Bank has incorporated the Corporate Governance Code as set out in Appendix 14 to the Hong Kong Listing Rules and the Guidelines on Corporate Governance of Commercial Banks issued by the former CBRC into the Bank's governance structure and policies. The general meeting, Board of Directors, Board of Supervisors and management of the Bank performed their respective duties, and formed good corporate governance structure. The Bank ensured regulated operation through this governance structure.

The Bank has also strictly complied with the management of insider information required by the relevant laws and regulations and the Hong Kong Listing Rules.

Mr. He Jiehua, a former executive director of the Bank, ceased to serve as an executive director and a chairman of Risk Management Committee of the Bank since 10 July 2020 due to the internal job rearrangement. Therefore, the current composition of the Board of Directors of the Bank of fourteen members does not comply with the requirement of "The Board of Directors shall be composed of fifteen (15) to nineteen (19) directors" as set out in the Article 162 of the Articles of Association of the Bank. The Bank is trying its best to identify a suitable candidate to fill the relevant vacancy of directorship to comply with the Articles of Association of the Bank as soon as practicable. On 26 March 2021, the resolution on addition to non-executive directors for election was considered and approved by the Board of Directors of the Bank. For details, please refer to the announcement dated 26 March 2021. For details of the position changes of Mr. He Jiehua, please refer to Section 8.2 "Changes in Directors, Supervisors and Senior Management of the Bank" of this report.

The Bank will review the corporate governance and strengthen management constantly to ensure compliance with the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and meet the higher expectations from the shareholders and investors.

## Chapter IX Corporate Governance Report

### 9.2 CORPORATE GOVERNANCE (CONTINUED)

#### Nomination of directors and Board diversity policy

It is critical to have a diversified Board of Directors for the Bank to achieve sustainable development, achieve its strategies and maintain good corporate governance. In respect of appointing the Board of Directors, the Bank will consider the diversity of the members of the Board in several aspects including but not limited to gender, age, culture, education background, region, professional experience, skills, knowledge, service term and other regulatory requirements, etc.

The Nomination and Remuneration Committee of the Board is responsible for reviewing the structure, number of members, and composition of the Board of Directors. In addition, the Committee makes recommendations to the Board relating to the size and structure of the Board of Directors based on the Bank's strategic plans, business operations, asset size and shareholding structure. The Committee also discusses and reviews the selection standard, the nomination and appointment process of relevant directors, and makes recommendations to the Board of Directors. The candidates will be approved by the Board of Directors.

The Nomination and Remuneration Committee of the Board shall observe and be responsible for monitoring the implementation of this policy and reviewing this policy at the appropriate time to ensure its effectiveness. The Nomination and Remuneration Committee will discuss any amendments when necessary and make recommendations to the Board of Directors for final approval.

This policy was followed when the Nomination and Remuneration Committee made recommendations on the candidates and when the Board made nomination. As at the end of the Reporting Period, the Board of Directors includes 2 female members and 12 male members, ranging in age from 48 to 67. The directors' residences are located in Hefei, Beijing, Shenzhen, Hong Kong and other places, and occupations include senior managers, university professors, think tank experts and other types. These directors have educational background and professional experiences covering management, economics, finance, accounting and other fields, and fully satisfied the requirements of the diversity of board members in terms of gender, age, regional, educational background, professional experiences and other aspects.

### 9.3 GENERAL MEETINGS

During the Reporting Period, the Bank held 2 general meetings in total.

On 22 February 2020, the Bank held the 2020 first extraordinary general meeting in Hefei City, Anhui Province, at which the following resolutions were considered and approved:

To consider and approve the resolution on the participation in the initial establishment of a commercial bank

To consider and approve the resolution on the acquisition of part of assets and liabilities of other banking financial institutions

To consider and approve the resolution on the issuance of tier-2 capital bonds



## Chapter IX Corporate Governance Report

### 9.3 GENERAL MEETINGS (CONTINUED)

The Bank held the 2020 first extraordinary general meeting. The notification, convening, holding and voting procedures of the meeting are in compliance with the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For the details of the resolutions, please see the announcement in relation to the poll results of the 2020 first extraordinary general meeting dated 22 February 2020, which was published by the Bank on the websites of the Hong Kong Stock Exchange and the Bank, respectively.

On 30 June 2020, the Bank held the 2019 annual general meeting in Hefei, Anhui Province, at which the following resolutions were considered and approved:

To consider and approve the final financial accounts for 2019 of the Bank

To consider and approve the financial budget for 2020 of the Bank

To consider and approve the profit distribution plan for 2019 of the Bank

To consider and approve the appointment of external auditors of the Bank for 2020

To consider and approve the Work Report of the Board of Directors of the Bank for 2019

To consider and approve the Work Report of the Board of Supervisors of the Bank for 2019

To determine the remuneration standard for executive Directors of the Bank for 2018

To determine the remuneration standard for the former chairman of the Board of Supervisors of the Bank for 2018

To consider and approve the election of Mr. Zhai Shengbao as an external Supervisor of the fourth session of the Board of Supervisors of the Bank

To consider and approve the election of Mr. Zhou Zejiang as an external Supervisor of the fourth session of the Board of Supervisors of the Bank

To consider and approve the resolution on the general mandate for the issuance of shares by the Bank

To consider and approve the resolution on the extension of the validity period of the plan on the initial public offering and listing of A Shares of the Bank

To consider and approve the resolution on the extension of the validity period of the authorization of the Board to deal with specific matters in respect of the A Share Offering

## Chapter IX Corporate Governance Report

### 9.3 GENERAL MEETINGS (CONTINUED)

The Bank held the 2019 annual general meeting. The notification, convening, holding and voting procedures of the meeting are in compliance with the Company Law of the PRC, the Articles of Association of the Bank and the Hong Kong Listing Rules. For the details of the resolutions, please see the announcement in relation to the poll results of the 2019 annual general meeting dated 30 June 2020, which was published on the websites by the Bank of the Hong Kong Stock Exchange and the Bank, respectively.

### 9.4 THE BOARD OF DIRECTORS

The Bank adopts the president accountability system under the leadership of the Board of Directors. The Board is core to the corporate governance and the independent decision-making body of the Bank, which is responsible for implementing the resolution of the general meetings, formulating the Bank's major strategy, policy and development plan, approving the Bank's operation plan, investment plan, formulating the annual financial budget, final accounts and profit distribution plan, appointing the senior management. The senior management has the rights to make decision in daily operation independently and the Board of Directors will not intervene specific daily affairs.

With respect to the establishment of the Board's structure, the Bank makes the Board's decision more scientific and reasonable through the establishment of a diversified board structure, and improves the Board's efficiency in decision-making and operation through the efficient operation of the special committees. During the Reporting Period, there were a total of 13 Board meetings convened and 77 resolutions considered. The Board of Directors ensures the rapid, sustainable and sound development of the Bank through the effective management of the strategy, risk, capital, compensation and audit.

#### 9.4.1 Members of the Board of Directors

The Bank elects its directors based on the qualification requirements and election procedures set out in the Articles of Association. As of the end of the Reporting Period, the Board of Directors consists of 14 directors, including 2 executive directors, namely Wu Xuemin (chairman of the Board), Zhang Renfu (president of the Bank); 7 non-executive directors, namely Zhu Yicun, Wu Tian, Yan Chen, Qian Dongsheng, Gao Yang, Wang Wenjin and Zhao Zongren; 5 independent non-executive directors, namely Dai Peikun, Zhou Yana, Liu Zhiqiang, Yin Jianfeng and Huang Aiming. The number of directors and the composition of the Board are in compliance with relevant laws and regulations. The decision making, authorization and voting procedures strictly follow the relevant rules and regulations of regulatory authorities and the Bank's Articles of Association. During the Reporting Period, the Board of Directors discharged its duties diligently, improved the Board operation mechanism, strengthened the corporate governance framework, facilitated prudent decision making, ensured financial stability and protected the interests of the Bank and its shareholders.

#### 9.4.2 Appointment, re-election and removal of directors

According to the Bank's Articles of Association, directors shall be elected or removed from office by shareholders at a general meeting. The term of office of a director shall be three (3) years. A director may be re-elected and re-appointed upon expiry of his/her term of office, provided that such term of office of independent non-executive directors shall not be more than six (6) years on an accumulative basis. Subject to the relevant laws and administrative regulations, a director whose term of office has not expired may be removed by shareholders' ordinary resolution, without prejudice to any claim which may be instituted under any contract.

## Chapter IX Corporate Governance Report

### 9.4 THE BOARD OF DIRECTORS (CONTINUED)

#### 9.4.2 Appointment, re-election and removal of directors (Continued)

The directors' appointment, re-election and removal procedures of the Bank are set forth in the Articles of Association of the Bank. The Nomination and Remuneration Committee of Board of Directors of the Bank is responsible for discussing and reviewing the qualification and experience of each candidate and recommending the suitable candidates to the Board of Directors. After the approval from the Board of Directors, the selected candidates will be recommended for further approval by the general meeting of shareholders. Except for the independent non-executive directors who have to be treated separately due to the expiration of office, the other new directors will be re-elected by general meeting at the expiration of the term of that Board session, instead of being elected during the first general meeting after his/her appointment.

According to the code provision in paragraph A.4.2 of the Corporate Governance Code in Appendix 14 of the Hong Kong Listing Rules, each director (including directors with a specified term) shall be subject to retirement by rotation at least once every three years.

#### 9.4.3 Responsibility of directors

During the Reporting Period, all the Bank's directors are earnest, and diligent to exercise their rights granted by the Bank and domestic and overseas regulatory authorities. The Bank's directors have spent adequate time and effort to deal with the Bank's affairs, ensuring the compliance of Bank's operation with the requirement of laws, administrative regulations and the requirements of economic policies. The Bank's directors have treated all the shareholders equally, informed themselves of the status of the Bank's business operation and management in a timely manner, implemented the laws and administrative regulations, departmental rules and other diligence obligations prescribed by the Articles of Association. The directors confirmed that they are responsible for the preparation of the annual financial report for the year ended 31 December 2020.

The independent non-executive directors of the Bank make full use of their respective professional expertise to provide professional and independent advices on the corporate governance, operation and management of the Bank in various Board committees, including the Strategic Development and Consumer Rights Protection Committee, Nomination and Remuneration Committee, Risk Management Committee, Related Party Transaction Control Committee and Audit Committee, ensuring that scientific decision-making could be made by the Board of Directors.

The Bank pays attention to the ongoing training of directors, to make sure they have proper understanding of the operation and business of the Bank and the duties and responsibilities conferred by the relevant laws and regulatory requirements of the CBIRC, the CSRC, the Hong Kong Stock Exchange and the Articles of Association of the Bank. The Bank has bought the director liability insurance for all directors.

During the Reporting Period, the Bank carried out evaluation of the performance of Board of Directors and directors by the Board of Supervisors, evaluation of the performance of senior management and its members by the Board of Supervisors, evaluation of the performance of Supervisors by the Board of Supervisors.

## Chapter IX Corporate Governance Report

### 9.4 THE BOARD OF DIRECTORS (CONTINUED)

#### 9.4.4 The chairman and president

The roles and work of the Chairman and President of the Bank are held by different individuals. Their respective responsibilities are clearly defined and meet the requirements of the Hong Kong Listing Rules. Mr. Wu Xuemin, chairman of the Bank, leading and managing the Board of Directors, is responsible for managing the operation of the Board, ensuring that all directors are aware of the current issues within the Board of Directors meeting. To assist the Board of Directors to discuss all important or other related matters, the chairman of the Board fully communicate with senior management to ensure that all directors receive timely, appropriate, complete and reliable information for their consideration and review. Mr. Zhang Renfu serves as the president of the Bank, who is responsible for business operations of the Bank, implementing the Bank's strategy and operation plan.

#### 9.4.5 Summary of the directors attending the general meetings, board meetings and board committee meetings

Directors	General Meeting <sup>(1)(2)</sup>		Board of Directors <sup>(3)</sup>	Committees under the Board of Directors					
	Attendance of 2020 first extraordinary general meeting	Attendance of 2019 annual general meeting		Strategic Development and Consumer Rights Protection Committee	Nomination and Remuneration Committee	Risk Management Committee	Related Party Transaction Control Committee	Audit Committee	
				Actual attendance/Required attendance					
Executive Directors	Wu Xuemin	✓	✓	13/13	6/7 <sup>(4)</sup>	4/4	4/5 <sup>(4)</sup>	-	-
	Zhang Renfu	-	-	13/13	7/7	4/4	-	7/7	-
Non-executive Directors	Zhu Yicun	-	-	13/13	7/7	-	5/5	-	-
	Wu Tian	-	-	13/13	7/7	-	5/5	-	-
	Yan Chen	✓	✓	11/13 <sup>(4)</sup>	4/7 <sup>(4)</sup>	-	3/5 <sup>(4)</sup>	-	-
	Qian Dongsheng	-	-	13/13	7/7	-	5/5	-	0/0 <sup>(7)</sup>
	Gao Yang	-	-	11/13 <sup>(5)</sup>	2/7 <sup>(5)</sup>	1/4 <sup>(5)</sup>	-	-	-
	Wang Wenjin	-	-	12/13 <sup>(4)</sup>	-	4/4	-	-	3/3
	Zhao Zongren	-	-	12/13 <sup>(4)</sup>	5/7 <sup>(4)</sup>	-	-	6/7 <sup>(4)</sup>	-
Independent Non-executive Directors	Dai Peikun	-	✓	13/13	-	4/4	-	-	3/3
	Zhou Yana	-	-	13/13	-	4/4	-	-	3/3
	Liu Zhiqiang	-	-	12/13 <sup>(5)</sup>	-	-	5/5	7/7	-
	Yin Jianfeng	-	-	13/13	7/7	4/4	-	7/7	-
	Huang Aiming	-	-	13/13	-	4/4	-	7/7	3/3
Former Executive Director	He Jiehua <sup>(6)</sup>	-	-	6/6	-	-	2/2	-	-

## Chapter IX Corporate Governance Report

### 9.4 THE BOARD OF DIRECTORS (CONTINUED)

#### 9.4.5 Summary of the directors attending the general meetings, board meetings and board committee meetings (Continued)

Notes:

- (1) The Bank held the 2020 first extraordinary general meeting on 22 February 2020 in Hefei City, Anhui Province and held the 2019 annual general meeting on 30 June 2020 in Hefei City, Anhui Province.
- (2) For directors who were unable to attend the 2020 first extraordinary general meeting and the 2019 annual general meeting due to personal reasons, all of them have completed the formalities for leave application in writing.
- (3) During the Reporting Period, the Bank held 13 Board meetings in total.
- (4) If the actual attendance is lower than required attendance, it represents the proxy attendance when the above directors are absent from Board meeting in person.
- (5) If the actual attendance is lower than required attendance, it represents the above directors are absent from Board meeting in person, with director, Gao Yang absent from 2 Board meetings, 5 Strategic Development and Consumer Rights Protection Committee meetings, 3 Nomination and Remuneration Committee meetings; and director, Liu Zhiqiang absent from 1 Board meeting.
- (6) For details of the changes in the positions held by Mr. He Jiehua, please refer to Section 8.2 “Changes in Directors, Supervisors and Senior Management of the Bank” in this annual report.
- (7) Director Qian Dongsheng was appointed as a new member of the Audit Committee on 27 August 2020. The Audit Committee held no meetings from 27 August 2020 to the end of the Reporting Period.

#### 9.4.6 Securities transaction by directors, supervisors and senior management

The Bank has adopted the Model Code for Securities Transactions by Directors of Listed Issuer set out in Appendix 10 to the Hong Kong Listing Rules as its codes of conduct regulating securities transactions by the directors, the supervisors and the related employees (having the same meaning as defined in Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules) of the Bank. Having made specific enquiry of all directors, supervisors and the staff of senior management, the Bank confirmed that they had complied with the Model Code during the Reporting Period.

## Chapter IX Corporate Governance Report

### 9.4 THE BOARD OF DIRECTORS (CONTINUED)

#### 9.4.7 Performance of the independent non-executive directors

The Bank's Board of Directors consists of 5 independent non-executive directors and the qualification, number and proportion are in accordance with the regulations of the CBIRC and the Hong Kong Listing Rules. The 5 independent non-executive directors of the Bank are not involved in any conflict with the independence issue described in the Rule 3.13 of the Hong Kong Listing Rules. The Bank has received from each of the independent non-executive director the annual independence confirmation in accordance with the Rule 3.13 of the Hong Kong Listing Rules. Therefore, the Bank confirms that all the independent non-executive directors complied with the Hong Kong Listing Rules in respect of their independence. During the Reporting Period, independent non-executive directors represent the majority of the Bank's Audit Committee and Related Party Transaction Control Committee under the Board and serve as chairman of these committees. During the Reporting Period, the independent non-executive directors of the Bank kept in touch with the Bank through various means such as attending the meetings and symposiums. They earnestly participated in meetings of the Board of Directors and the Board committees and actively gave their opinions and emphasized on the interests of minority shareholders. The independent non-executive directors have fully discharged their responsibilities. During the Reporting Period, the Bank's independent non-executive directors issued independent opinions on the Bank's related party transactions.

### 9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS

The Bank's Board of Directors has delegated some of its responsibilities to the different Board committees. The Bank has set up 5 special committees under the Board, including the Strategic Development and Consumer Rights Protection Committee, Audit Committee, Nomination and Remuneration Committee, Risk Management Committee and Related Party Transaction Control Committee according to the relevant PRC laws, regulations, the Bank's Articles of Association and the Hong Kong Listing Rules.

During the Reporting Period, the Board committees of the Bank exercised their respective authorities and powers in an independent, standardized and effective manner. In 2020, they held a total of 26 meetings, at which 94 resolutions that are significant to the sustainable development of the Bank and improvement of corporate governance, were studied and considered, improving the efficiency and scientific decision-making ability of the Board while promoting the sound development of the businesses of the Bank.

#### 9.5.1 Strategic Development and Consumer Rights Protection Committee

As of the end of the Reporting Period, our Strategic Development and Consumer Rights Protection Committee consists of 2 executive directors, namely Mr. Wu Xuemin and Mr. Zhang Renfu; 6 non-executive directors, namely Mr. Zhu Yicun, Mr. Wu Tian, Mr. Yan Chen, Mr. Qian Dongsheng, Mr. Gao Yang and Mr. Zhao Zongren; and 1 independent non-executive director, namely Mr. Yin Jianfeng. Mr. Wu Xuemin is the chairman of the committee.

## Chapter IX Corporate Governance Report

### 9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

#### 9.5.1 Strategic Development and Consumer Rights Protection Committee (Continued)

The principal responsibilities of the Strategic Development and Consumer Rights Protection Committee include:

- (I) formulating operational and management goals, medium to long-term development strategy and listing plans of the Bank and making recommendations to the Board;
- (II) reviewing the strategic capital allocation and management objectives of assets and liabilities and making recommendations to the Board;
- (III) preparing plans for the overall development of various financial businesses and making recommendations to the Board;
- (IV) reviewing strategic development plans for human resources and making recommendations to the Board;
- (V) supervising and examining the implementation of annual operating plans and investment proposals;
- (VI) reviewing annual financial budgets and final reports and making recommendations to the Board;
- (VII) considering plans for significant institutional restructuring and re-organization and making recommendations to the Board;
- (VIII) reviewing the plan of significant investment and financing and relevant proposals submitted by the senior management, and making recommendations to the Board;
- (IX) reviewing the design of merger and acquisition plans and relevant proposals submitted by the senior management, and making recommendations to the Board;
- (X) reviewing plans for information technology development and other special strategic development plans and making recommendations to the Board;
- (XI) reviewing and evaluating the effectiveness of corporate governance structure so as to ensure that the financial reporting, risk management and internal control meet our standards for corporate governance;
- (XII) formulating the strategy, policy and objective for protection of consumer rights and interests across the whole Bank, and making recommendations to the Board;
- (XIII) reviewing the organizational structure and operating mechanism of works on protection of consumer rights and interests across the whole Bank, as well as the internal control system, and making recommendations to the Board;

## Chapter IX Corporate Governance Report

### 9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

#### 9.5.1 Strategic Development and Consumer Rights Protection Committee (Continued)

- (XIV) guiding the senior management in conducting works on protection of consumer rights and interests from the perspective of overall planning, supervising and evaluating the comprehensiveness, promptness and effectiveness of the works on protection of consumer rights and interests across the whole Bank and relevant duty performance of senior management, listening to special reports of senior management in respect of the progress of works on protection of consumer rights and interests on regular basis, and treating relevant works as an important part of information disclosure;
- (XV) other issues as required by law, regulation and other regulatory documents;
- (XVI) other issues authorized by the Board.

During the Reporting Period, our Strategic Development and Consumer Rights Protection Committee held 7 meetings in total, at which resolutions on the annual final financial report, annual financial budget plan and annual general business operation plan, etc. were considered and approved.

#### 9.5.2 Nomination and Remuneration Committee

As of the end of the Reporting Period, our Nomination and Remuneration Committee consists of 2 executive directors, namely Mr. Wu Xuemin and Mr. Zhang Renfu; 2 non-executive directors, namely Mr. Gao Yang and Mr. Wang Wenjin; and 4 independent non-executive directors, namely Mr. Dai Peikun, Ms. Zhou Yana, Mr. Yin Jianfeng, and Ms. Huang Aiming. Currently, Mr. Dai Peikun is the chairman of the committee.

The principal responsibilities of the Nomination and Remuneration Committee include:

- (I) determining the selection and appointment process and standard of directors and senior managements, and making recommendations to the Board;
- (II) preliminarily reviewing the qualifications of candidates for directors and candidates for senior management, and making recommendations to the Board;
- (III) making recommendations to the Board on the structure, number, size and composition (including the skills, knowledge and experience) of the Board based on our business operation, asset scale and shareholding structure;
- (IV) identifying candidates with suitable qualifications to serve as directors and senior management, and establishing a mechanism for key talents pool;
- (V) evaluating the independence of independent directors;



## Chapter IX Corporate Governance Report

### 9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

#### 9.5.2 Nomination and Remuneration Committee (Continued)

- (VI) developing appraisal criteria for directors and senior management, organizing performance appraisals for directors and senior management on a regular basis, and submitting the appraisal results to the Board;
- (VII) considering our remuneration management system and policies, preparing the appraisal and remuneration proposals for directors and senior management, making recommendations to the Board, and monitoring the implementation of such plans;
- (VIII) making recommendations to the Board on the remuneration package of directors and senior management;
- (IX) reviewing compensation payable to executive directors and senior management for any loss or termination of office or appointment, and making recommendations to the Board;
- (X) reviewing and approving compensation arrangements relating to dismissal or removal of directors for misconduct, and making recommendations to the Board;
- (XI) ensuring that no director or any of his or her associates (defined under the Hong Kong Listing Rules) is involved in deciding his or her own job fulfillment assessment remuneration except for the self-assessment on job fulfillment;
- (XII) other issues as required by law, regulation and other regulatory documents;
- (XIII) other issues authorized by the Board.

During the Reporting Period, our Nomination and Remuneration Committee held 4 meetings in total, at which resolutions on the performance report of directors and senior management by the Board, the 2019 annual performance results of executive directors and senior management and review of candidates' qualifications for directors, etc. were considered and approved.

Given that Mr. Hu Jun, a former independent non-executive director of the Bank, ceased to serve as an independent non-executive director, a member of the Nomination and Remuneration Committee, a member of the Risk Management Committee and the chairman of the Related Party Transaction Control Committee of the Bank since 25 October 2019, the current composition of the Nomination and Remuneration Committee of the Bank of eight members, including four independent non-executive directors, does not comply with Rule 3.25 of the Hong Kong Listing Rules and Code Provision A.5.1 of the Corporate Governance Code which require the committee comprising a majority of independent non-executive directors. The Bank is trying its best to identify a suitable candidate to fill the relevant vacancy as soon as possible to comply with the Hong Kong Listing Rules and Code Provision A.5.1 of the Corporate Governance Code as soon as practicable. For details of changes in positions of Mr. Hu Jun, please refer to the announcement of the Bank dated 25 October 2019.

## Chapter IX Corporate Governance Report

### 9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

#### 9.5.3 Risk Management Committee

As of the end of the Reporting Period, our Risk Management Committee consists of 1 executive director, namely Mr. Wu Xuemin (temporarily performing the duties of the chairman); 4 non-executive directors, namely Mr. Zhu Yicun, Mr. Wu Tian, Mr. Yan Chen and Mr. Qian Dongsheng; and 1 independent non-executive director, namely Mr. Liu Zhiqiang. Mr. Wu Xuemin temporarily performs the duties of the chairman.

The principal responsibilities of the Risk Management Committee include:

- (I) reviewing our risk management policies to ensure they are in line with our overall strategy, supervising and evaluating their implementation and effectiveness, and making relevant recommendations to our Board. Risk management policies include but not limited to:
  - 1. risk scope intended or confined to to involve by the Bank;
  - 2. risk limitations and overall risk tolerance standard, including market risks, credit risks, liquidity risks, operation risks, compliance risks and reputation risks, etc;
  - 3. risk management skills intended to adopt by the Bank;
  - 4. procedures and standards of risk authorization of the Bank.
- (II) providing guidance on establishing our risk management systems;
- (III) supervising and evaluating the establishment, organizational structure, working procedures and effects of the risk management department, and making suggestions for improvement;
- (IV) considering our risk report, conducting regular assessments on risk policy, management status and risk tolerance of the Bank, and making suggestions on improving our risk management and internal control;
- (V) supervising and assessing the risk control by our senior management in respect of credit, market and operation risks;
- (VI) examining and approving significant risk management matters or transaction items that are beyond the license rights of the president or submitted by the president to the Risk Management Committee for consideration, in accordance with the authorization of the Board;
- (VII) other issues as required by law, regulation and other regulatory documents;
- (VIII) other issues authorized by the Board.

## Chapter IX Corporate Governance Report

### 9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

#### 9.5.3 Risk Management Committee (Continued)

During the Reporting Period, our Risk Management Committee held 5 meetings in total, at which issues related to risk supervision evaluation report, asset quality analysis report, compliance risk management report and liquidity stress testing report, etc. were studied.

Mr. He Jiehua, a former executive director of the Bank, ceased to serve as an executive director and the chairman of the Risk Management Committee of the Bank since 10 July 2020. To ensure the normal operation of the Risk Management Committee, Mr. Wu Xuemin temporarily performed the duties of the chairman before the appointment of the new Committee Chairman. Please refer to the announcement of the Bank dated 10 July 2020. The Risk Management Committee of the Bank will convene a meeting to elect the chairman and seek approval from the Board as soon as reasonably practicable. The Bank will make further announcement in due course.

#### 9.5.4 Related Party Transaction Control Committee

As of the end of the Reporting Period, our Related Party Transaction Control Committee consists of 1 executive director, namely Mr. Zhang Renfu, 1 non-executive director, namely Mr. Zhao Zongren, 3 independent non-executive directors, namely Ms. Huang Aiming, Mr. Liu Zhiqiang, and Mr. Yin Jianfeng. Ms. Huang Aiming is the chairwoman of the committee.

The principal responsibilities of the Related Party Transaction Control Committee include:

- (I) identifying related parties, connected relationships and connected transactions, and controlling risks of connected transactions, timely making announcement on related parties recognized;
- (II) identifying and reviewing significant related party transactions and submitting the same to the Board for consideration;
- (III) recording common connected transactions;
- (IV) formulating our rules for the management of connected transactions, submitting to the Board for consideration and supervising its implementation;
- (V) submitting to the Board, upon completion of each year, a detailed report on the implementation of connected transaction management system of the Bank for the year and our connected transactions (including overall status, risk analysis and structure) that occurred in the year shall be submitted to the Board;
- (VI) law, administrative regulations, department regulations and other regulatory documents, and other issues as required by securities supervision authority on which the shares of the Bank listed or as authorized by the Board.

During the Reporting Period, our Related Party Transaction Control Committee held 7 meetings in total, at which it considered resolutions including business plans related to ordinary connected transactions and status report of the connected transactions.

## Chapter IX Corporate Governance Report

### 9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

#### 9.5.5 Audit Committee

As of the end of the Reporting Period, our Audit Committee consists of 2 non-executive director, namely Mr. Qian Dongsheng and Mr. Wang Wenjin; and 3 independent non-executive directors, namely Ms. Zhou Yana, Mr. Dai Peikun and Ms. Huang Aiming. Ms. Zhou Yana is the chairwoman of the committee.

The principal responsibilities of the Audit Committee include:

- (I) examining our financial statements, annual report and accounting records, interim report and quarterly reports (if drafted for publication), reviewing significant opinion on financial reporting contained in accounting statements and financial reports and other information related to our business operation, and conducting an audit on our operating efficiency, profit distribution and capital utilization;
- (II) checking the letter of recommendations for management (or any equivalent document) given by an external auditor to the senior management and ensuring that the Board responds to it in a timely manner, and reviewing any major questions raised by the external auditor to the senior management with respect to our accounting records, financial accounts or monitoring system, and any responses given by the senior management;
- (III) reviewing our disclosure made at the general meeting and to the public, and verifying the truthfulness, legality, completeness, and accuracy of our financial reports, capital utilization reports and major events;
- (IV) reviewing our internal control and financial control systems, and auditing our significant related party transactions, monitoring the implementation of our risk management system and its compliance, discussing the internal control system with the senior management and reporting it to the Board. Reviewing major investigation findings on matters relating to the internal control system as delegated by the Board or on its own initiative and the senior management's response to these findings;
- (V) overseeing the implementation of our internal audit system;
- (VI) organizing and guiding the internal audit under the authorization of the Board;
- (VII) taking in charge of our annual audit, making recommendations to the Board on the appointment, reappointment or removal of the external auditor, and preparing reports confirming the truthfulness, accuracy, completeness and timeliness of information contained in the audited financial statements based on its own judgment, and submitting them to the Board for discussion and consideration. The Audit Committee should require the appointed external auditor to give an explanation on their services provided, terms of appointment, fees charged and other relationships or matters that may affect the independence of such external auditor, make an evaluation on the independence of external auditor and submit it to the Board for approval. The Audit Committee should deal with any issue related to the resignation or removal of the external auditor;
- (VIII) reviewing our financial and accounting policies and practice;

## Chapter IX Corporate Governance Report

### 9.5 COMMITTEES UNDER THE BOARD OF DIRECTORS (CONTINUED)

#### 9.5.5 Audit Committee (Continued)

- (IX) taking charge of the communication and coordination between the internal auditor and external auditor, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Bank;
- (X) evaluating the mechanisms for our employees to make whistle blowing on financial statements, internal control or other irregularities, and conducting independent and fair investigations on matters relating to whistle blowing by us, and adopting any mechanism for appropriate actions;
- (XI) other issues as required by law, regulation and other regulatory documents;
- (XII) other issues authorized by the Board.

During the Reporting Period, our Audit Committee held 3 meetings in total, at which it considered resolutions on the 2019 annual report, the 2019 annual profit distribution plan, the 2020 interim report, appointment of external auditors and the 2020 audit plan etc. The Audit Committee reviewed the 2019 annual report and the 2020 interim report, discussed the key accounting policies, accounting estimates and internal control with the management. Besides, it also communicated with the external auditors and the management regarding the audit opinion and suggestions for internal control as proposed by the external auditors, reviewed and approved the 2019 annual report and the 2020 interim report of the Bank and then submitted them to the Board for consideration.

### 9.6 CORPORATE GOVERNANCE FUNCTION

During the Reporting Period, the Board of Directors took the responsibilities of corporate governance as follows:

- revising and improving rules and regulations related to the Bank's corporate governance, and making necessary changes to ensure the effectiveness of the policy;
- supervising the training of directors and senior management and their sustained performance;
- supervising the policies and practice of the Bank with respect to the compliance with laws and regulations;
- supervising the code of conduct and compliance manual applicable to directors and employees;
- reviewing the Bank's compliance with the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules and the disclosures set out in the corporate governance report.

## Chapter IX Corporate Governance Report

### 9.7 MANAGEMENT

The Bank shall have one president and may have several vice presidents and other members of senior management identified by the regulatory authorities. They shall be appointed or dismissed by the Board of Directors. The president shall be accountable to the Board of Directors.

The president of the Bank shall perform and exercise the following functions and powers:

- take charge of the daily operation and management of the Bank, organize the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors;
- submit annual business plans and investment proposals to the Board of Directors and organize the implementation upon approval by the Board of Directors;
- draft proposals on the establishment of the Bank's internal management entities;
- draft the Bank's basic management system;
- formulate the Bank's specific regulations;
- propose to the Board of Directors to engage or dismiss the vice presidents of the Bank and other members of senior management identified by the regulatory authorities;
- engage or dismiss persons in charge of the internal departments and branches of the Bank other than those to be engaged or dismissed by the Board of Directors;
- authorize members of senior management and persons in charge of internal departments and branches to conduct operational activities;
- draw up the Bank's proposals on annual financial budgets and final accounts, profit distribution plan and loss remedial plan, increase or reduction of registered capital, issue and listing of bonds or negotiable securities, and put forward the proposals to the Board of Directors;
- review and approve general related transactions;
- decide on the appointment and dismissal of the Bank's staff, and approve proposals on their wages, benefits, rewards and punishment;
- formulate plans on emergency treatment and risk prevention; adopt emergency measures when any major emergency arises and promptly report them to the Board of Directors, the Board of Supervisors and the banking regulatory authority;
- and other powers and rights conferred by the laws, administrative regulations, departmental rules, the regulations of the relevant regulatory authorities, the Articles of Association and by the Board of Directors.

## Chapter IX Corporate Governance Report

### 9.8 BOARD OF SUPERVISORS

The Board of Supervisors, our supervisory body, aims to guarantee the legitimate interests of the Bank, shareholders, employees, creditors and other stakeholders and has the obligation to oversee our financial activities, risk management and internal control, discharge of duties by the Board and its members and the senior management, and is accountable to the general meeting of shareholders.

#### 9.8.1 Composition of the Board of Supervisors

As of the Latest Practicable Date, our Board of Supervisors consisted of 9 supervisors, of whom 4 are employee supervisors, 2 are shareholder supervisors and 3 are external supervisors. The structure of our Board of Supervisors meets the requirements of laws and regulations, and is sufficiently professional and independent to ensure the effective performance of its supervisory role. For the biographical details of members of the Board of Supervisors, please see “Profile of Directors, Supervisors and Senior Management” under section 8.3 of this annual report.

During the Reporting Period, the Board of Supervisors fulfilled its duties diligently, supervised the legal compliance of performance of duties by directors and the senior management. They also performed resignation audit to the executive directors and the senior management as required. They audited and supervised the financial activities, risk management and internal control and investigated any abnormal operating activities.

#### 9.8.2 Responsibilities and operating model of the Board of Supervisors

The principal responsibilities of our Board of Supervisors include:

- reviewing periodic reports of the Bank prepared by the Board and providing written review opinions;
- supervising the discharge of duties by the Board of Directors and the senior management;
- monitoring the due diligence of directors, the chairman of the Board of Directors and the senior management and their violation of laws, administrative regulations as well as the Articles of Association when discharging their duties;
- conducting resignation audits of our directors and the senior management when necessary;
- requesting directors and the senior management to rectify any acts that are detrimental to the interest of the Bank;
- examining and supervising financial activities of the Bank;
- supervising and examining our capital management, business decision-making, risk management and internal control and monitoring rectification of the deficiencies;
- proposing to remove, or instituting proceedings according to law, against directors and the senior management who are in violation of laws, administrative regulations or the Articles of Association or any resolutions adopted by shareholders’ general meetings;

## Chapter IX Corporate Governance Report

### 9.8 BOARD OF SUPERVISORS (CONTINUED)

#### 9.8.2 Responsibilities and operating model of the Board of Supervisors (Continued)

- proposing for an extraordinary meeting of shareholders; convening and presiding over shareholders' general meetings when the Board of Directors fails to perform its duties in accordance with the Company Law;
- putting forward proposals to shareholders' general meetings;
- proposing for an extraordinary meeting of the Board;
- reviewing the financial report, business report and profit distribution plans and other financial information submitted to shareholders' general meetings. The Board of Supervisors may conduct investigation when any question or abnormal operation of the Bank is identified; it may, at the expenses of the Bank, hire an accounting firm, law firm or other professional personnel to assist its investigation when necessary;
- making remuneration arrangement of supervisors;
- other functions and powers granted by laws, administrative regulations, departmental rules, relevant regulators and the Articles of Association, as well as shareholders' general meetings.

Our Board of Supervisors fulfils their supervisory responsibilities mainly in the following manners: convening regular supervisor meetings, attending shareholders' general meetings, attending the Board meetings and some Board committee meetings, attending the relevant meetings of the senior management, review of various kinds of documents and materials from the senior management, listening to work report and project report of the senior management, evaluating the annual performance of directors and the senior management, conducting resignation audits of our executive directors and the senior management, conducting supervision and inspection of the Bank and its subsidiary institutions, conducting investigation and research on branches etc. Through the above work, the Board of Supervisors monitors and evaluates our operation and management, risk management and internal control, as well as the performance of directors and the senior management.

During the Reporting Period, the Board of Supervisors assessed the annual performance of the Board of Directors, directors, the senior management and its members and supervisors of the Bank, solicited written evaluation opinions from shareholder representatives, heads of branches and sub-branch offices and held the symposiums of persons in charge of the head office to elicit various comments and conduct on-site evaluation. Based on the foregoing, the Board of Supervisors prepared a performance evaluation report for the Board of Directors and the senior management as well as relevant banking regulatory bodies.





## Chapter IX Corporate Governance Report

### 9.8 BOARD OF SUPERVISORS (CONTINUED)

#### 9.8.3 Meetings of the Board of Supervisors during the Reporting Period

During the Reporting Period, the Board of Supervisors duly fulfilled its duties under the Articles of Association of the Bank and held 11 meetings, of which 5 were on-site, 6 were by written resolutions, at which 36 resolutions were considered.

During the Reporting Period, there was no objection to the matters concerning the supervision of the Board of Supervisors.

#### *The attendance of supervisors at meetings during the Reporting Period*

	Supervisors <sup>(1)</sup>	No. of Required Attendance	Attendance in Person	Attendance through Proxy
Employee Supervisor	He Jiehua	5	5	0
	Tang Chuan	11	11	0
	Zhong Qiushi	11	10	1
	Sun Zhen	5	5	0
Shareholder Supervisor	Chen Rui	11	9	2
	Hu Jing	11	11	0
External Supervisor	Dong Xiaolin	11	11	0
	Zhai Shengbao	5	5	0
	Zhou Zejiang	5	5	0
Former employee Supervisor	Zhang Youqi	5	5	0
Former shareholder Supervisor	Li Ruifeng	11	11	0
Former external Supervisor	Pan Shujuan	6	6	0
	Yang Mianzhi	11	10	1

Note: (1) For details of the changes in the positions held by Mr. He Jiehua, Mr. Sun Zhen, Mr. Zhai Shengbao, Mr. Zhou Zejiang, Mr. Zhang Youqi, Mr. Li Ruifeng, Ms. Pan Shujuan and Mr. Yang Mianzhi, please refer to Section 8.2 "Changes in Directors, Supervisors and Senior Management of the Bank" in this annual report.

#### 9.8.4 Attendance at the general meetings during the Reporting Period

During the Reporting Period, the Board of Supervisors designated representatives to attend the general meeting of the Bank. The Board of Supervisors presented its annual report on work and results of performance appraisal of the Board of Directors, directors, Supervisors, senior management and its members, which were approved at the meeting.

## Chapter IX Corporate Governance Report

### 9.8 BOARD OF SUPERVISORS (CONTINUED)

#### 9.8.5 Attendance at the meetings of the Board and the senior management

During the Reporting Period, the Board of Supervisors designated representatives to attend on-site meetings of the Board of Directors of the Bank, and supervised legal compliance of the meetings, procedures of voting, as well as the attendance, speech and voting of directors. The Board of Supervisors also designated representatives to attend the relevant meetings of the senior management and supervised the execution of Board resolutions by the senior management and the operating management activities conducted according to the Articles of Association and the authorization by the Board of Directors.

#### 9.8.6 Operation of the committees of the Board of Supervisors

The Board of Supervisors has a Nomination Committee and a Supervisory Committee. As of the Latest Practicable Date, compositions of the Board of Supervisors of the Bank were as follows:

No.	Committees of the		
	Board of Supervisors	Chairman	Members
1	Nomination Committee	Dong Xiaolin	He Jiehua, Tang Chuan, Hu Jing, Zhou Zejiang
2	Supervisory Committee	Zhai Shengbao	He Jiehua, Zhong Qiushi, Sun Zhen, Chen Rui

#### *Nomination Committee of the Board of Supervisors*

The principal responsibilities of the Nomination Committee include:

- formulating the selection standards and procedures of supervisors, and making recommendations to the Board of Supervisors;
- preliminarily reviewing the qualifications and conditions of candidates for supervisors and making recommendations to the Board of Supervisors;
- improving market-oriented selection and appointment mechanism, and making reservation of candidates for supervisors;
- conducting a comprehensive assessment and evaluation of duties performance of directors and senior management, and reporting it to the Board of Supervisors;
- supervising the process of election and appointment of directors;
- supervising the scientificity and reasonableness of the remuneration management system and policies of the Bank and the remuneration proposal for its senior management;

## Chapter IX Corporate Governance Report

### 9.8 BOARD OF SUPERVISORS (CONTINUED)

#### 9.8.6 Operation of the committees of the Board of Supervisors (Continued)

##### *Nomination Committee of the Board of Supervisors (Continued)*

- determining the remuneration standards for supervisors and subsidy standards for external supervisors, and making recommendations to the Board of Supervisors in respect thereof;
- establishing and improving the incentive and control system, conducting an assessment and evaluation of duties performance of supervisors, and making recommendations to the Board of Supervisors in respect thereof;
- ensuring that supervisors shall not participate in the decision-making process in connection with the evaluation of their duties performance and remuneration (or subsidies), save for the self-assessment in the evaluation of duties performance;
- other matters authorized by the Board of Supervisors.

The Nomination Committee held a total of 4 meetings during the Reporting Period, at which 17 resolutions were considered and approved.

##### *Supervisory Committee of the Board of Supervisors*

The principal responsibilities of the Supervisory Committee include:

- formulating plans for supervision of duties performance of Board of Directors and the senior management of the Bank, and supervising the adoption by the Board of Directors of prudent business philosophy, value standards and formulating development strategies that are in line with the actual situations of the Bank;
- formulating plans for supervision of the due diligence of directors and the senior management of the Bank;
- formulating plans for resignation audits of executive directors and the senior management of the Bank;
- formulating plans for the inspection and supervision of financial activities of the Bank;
- formulating plans for supervision and inspection of the business decision-making, risk management and internal control of the Bank;
- formulating plans for assessing the scientificity, reasonableness and effectiveness of development strategies set by the Board of Directors;
- taking charge of the organization and implementation of the above plans;
- other matters authorized by the Board of Supervisors.

During the Reporting Period, the Supervisory Committee held 10 meetings in total, at which 21 resolutions were considered.

## Chapter IX Corporate Governance Report

### 9.8 BOARD OF SUPERVISORS (CONTINUED)

#### 9.8.7 External supervisors work report

Chairman of the Board of Supervisors committees are served by external supervisors, which strengthens the role of external supervisors in performance assessment, internal control and other aspects of independent oversight functions, and plays a positive role in improving the management quality and governance structure of the Bank.

In 2020, external supervisors actively participated in meetings, carefully studied and actively participated in discussions and decision-making of each issue, considered each issue from the perspective of the sustainable development of the Bank and protection of its shareholders' interests, carefully gave independent opinions, and fulfilled the responsibilities of external supervisors according to laws.

### 9.9 TRAINING AND RESEARCH OF DIRECTORS AND SUPERVISORS DURING THE REPORTING PERIOD

#### Training and research of directors

Some directors took part in a training session held by the Bank in November 2020 on commercial banks equity management, corporate governance and information disclosure.

Some directors took part in online trainings provided by Clifford Chance in December 2020 on Hong Kong regulatory updates on listed companies and directors' responsibilities.

#### Investigation, research and training of the Board of Supervisors

The Board of Supervisors commenced special supervision and evaluation on the authorization management of the Bank and then prepared the evaluation report. Some supervisors of the Bank took part in the supervision and investigation. Some supervisors participated in the trainings held by the Culture Exchange Centre for Training on Chinese Enterprises in September 2020 on the Zhiniao (知鳥) platform of the Bank on the performance of duties by supervisors and the supervision practice of the Board of Supervisors.

### 9.10 COMPANY SECRETARY UNDER HONG KONG LISTING RULES

Dr. Ngai Wai Fung is the Bank's company secretary under the Hong Kong Listing Rules. Dr. Ngai Wai Fung is a director and the chief executive officer of SWCS Corporate Services Group (Hong Kong) Limited. Dr. Ngai took part in relevant professional trainings for no less than 15 hours during the Reporting Period. Mr. Lian Baohua, secretary to the Board of the Bank, was the primary contact of Dr. Ngai during the Reporting Period.

### 9.11 MATERIAL ILLEGAL ACT REPORTS AND ALLEGATIONS

During the Reporting Period, the Bank did not have any material internal disputes.



## Chapter IX Corporate Governance Report

### 9.12 COMMUNICATION WITH SHAREHOLDERS

#### Investors relationship

We place great importance over the Bank's shareholders' opinions and suggestions. We actively take part in all kinds of communication activities with investors and analysts in order to maintain a good relationship, and meet reasonable requirements by the shareholders in a timely manner.

For investors inquiries, please contact the Board of Directors at:

The Office of the Board of Directors of Huishang Bank Corporation Limited

Block A, Tianhui Building, 79 Anqing Road, Hefei, Anhui Province, PRC

Telephone: +86-551-62667729

Fax: +86-551-62667787

E-mail: [djb@hsbank.com.cn](mailto:djb@hsbank.com.cn)

Investors can read this annual report from our website ([www.hsbank.com.cn](http://www.hsbank.com.cn)) and the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

#### Information disclosure

The Board of Directors and senior management of the Bank place great importance to the information disclosure. They rely on good corporate governance and sound internal control to provide timely, accurate and fair information for the investors. During the Reporting Period, no insider dealing of the Bank's shares was identified.

In accordance with the requirement of "Measures for the Information Disclosure of Commercial Banks", the Bank continuously improved the timeliness, accuracy and completeness of the information disclosure. During the Reporting Period, the full texts of the annual report and interim report in both English and Chinese are available on the website of the Bank. Meanwhile, the Chinese and English versions of the annual report and interim report are available for review by the investors and stakeholders in the Board of Directors' office of the Bank.

### 9.13 SHAREHOLDERS' RIGHTS

#### Convening extraordinary general meetings

When individual or joint shareholders of the Bank who have more than 10% of the total voting right present a written request, the Board of Directors shall hold an extraordinary general meeting within 2 months from the date of the request:

The shareholders who presented such requests shall put forward proposals to the Board in writing. The Board of Directors shall, in accordance with laws, administrative regulations and the Articles of Association of the Bank, give a written feedback expressing an opinion of agreements or disagreements with the convening of an extraordinary general meeting or a class shareholders' meeting within 10 days from the date of receiving the proposal.

If the Board of Directors agrees to convene an extraordinary general meeting or class shareholders' meeting, it should issue a notice to call for a shareholders' general meeting within 5 days from the date on which the relevant Board resolution is made. Any amendments to the original proposal in the notice should obtain the consent from the shareholders of the Bank who initiated such proposals.

## Chapter IX Corporate Governance Report

### 9.13 SHAREHOLDERS' RIGHTS (CONTINUED)

#### Proposing resolutions at shareholders' general meeting

Shareholders individually or jointly holding more than 3% of the voting shares of the Bank may make provisional proposal to the shareholders' general meeting and submit written request to the convener 10 days before the meeting. The convener shall issue a supplementary notice of the shareholders' general meeting within 2 days after receiving the proposal. The contents of the provisional proposal shall be announced.

Shareholders individually or jointly holding more than 3% of the total issued voting shares of the Bank may propose candidates for directors to the Board of Directors or to propose candidates for supervisors to the Board of Supervisors.

Shareholders individually or jointly holding more than 1% of the total outstanding voting shares of the Bank may nominate candidates for independent directors to the Board, who can be elected at shareholders' general meeting as independent directors. Those shareholders who have nominated directors shall not nominate independent directors.

Shareholders individually or jointly holding more than 1% of the total outstanding voting shares of the Bank may nominate candidates for external supervisors, who will be elected at shareholders' general meeting as external supervisors.

#### Convening extraordinary Board meetings

When shareholders individually or jointly holding more than 10% of the total voting shares of the Bank raise a proposal, the chairman of the Board of Directors shall, within 10 days after receiving the proposal, calls for and presides over an extraordinary Board meeting.

#### Making inquiries to the Board

Our shareholders are entitled to supervise the business activities of the Bank, make recommendations or inquiries.

Shareholders of the Bank are entitled to access to the following information in accordance with the laws, administrative regulations, departmental rules, normative documents, relevant regulations of the securities regulatory authorities of the place(s) where the shares of the Bank are listed, and the provisions of the Articles of Association of the Bank, including:

1. Obtaining the Articles of Association of the Bank upon the payment of costs;
2. Inspecting, free of charge, or having the right to inspect and copy the following documents upon the payment of reasonable costs:
  - (1) the register of all shareholders;
  - (2) personal information of directors, supervisors and the senior management of the Bank;
  - (3) the Bank's share capital;

## Chapter IX Corporate Governance Report

### 9.13 SHAREHOLDERS' RIGHTS (CONTINUED)

#### Making inquiries to the Board (Continued)

- (4) report showing the total nominal value, quantity, highest and lowest prices of each class of shares repurchased by the Bank since the previous financial year and all costs paid by the Bank in this regard;
- (5) minutes of shareholders' general meetings;
- (6) the latest audited financial statements, and reports of the Board of Directors, auditors and the Board of Supervisors of the Bank.

Shareholders who request to inspect or obtain any such information shall provide written documentation to the Bank, certifying the type of shares they held in the Bank as well as the number of their shareholdings. The Bank shall provide such documentation as required by shareholders after their identities are verified.

### 9.14 APPOINTMENT OF CERTIFIED PUBLIC ACCOUNTANTS

The resolution on the Appointment of External Auditors of the Bank for 2020 was considered and approved at the 2019 annual general meeting held on 30 June 2020. The Bank has reappointed Ernst & Young Hua Ming LLP (Special General Partnership) as our domestic auditor and Ernst & Young as our international auditor for the year of 2020, respectively. The Bank had not changed accounting firms over the past three years.

In 2020, the total remuneration paid to Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young for review of the financial statements and audit of the annual financial statements as agreed by the Bank and the total remuneration from other services (non-public offering, acquisition and takeover of part of Baoshang Bank's assets and liabilities, financial investigation on shareholders' eligibility, issuance of bonds and special service of asset-backed securities) amounted to RMB5.15 million and RMB5.155 million, respectively.

### 9.15 AMENDMENTS TO THE ARTICLES OF ASSOCIATIONS OF THE BANK

The Bank did not amend the Articles of Association of the Bank during the Reporting Period.

### 9.16 COMPLIANCE AND RISK MANAGEMENT

#### 1. Procedures for identification, evaluation and management of material risks

Pursuant to the Administrative Measures for the Capital of Commercial Banks (Trial) issued by the former CBRC, the definition of risk and relevant terminology issued by Basel Committee and practices of other banks, the Bank has made overall identification and measurement of a series of potential quantifiable and non-quantifiable risks arising from the coupled effect of business strategies, product mix, clients' needs and external macro-economy environment combining the Bank's own practices and conducted the corresponding control and mitigation.

## Chapter IX Corporate Governance Report

### 9.16 COMPLIANCE AND RISK MANAGEMENT (CONTINUED)

#### 1. Procedures for identification, evaluation and management of material risks (Continued)

Through collecting and issuing risk alerts, setting examples of and identifying, gathering and evaluating risk events and specifying key risks based on capital allocation to risk categories, regulatory identification of potential risks and regulatory requirements on capital for banks and identification and evaluation of risk events, the Bank annually identifies and evaluates major risks, and makes supplement or revision to relative systems according to the evaluation results. Such key potential risks to identify include credit risk, market risk, operational risk, liquidity risk, bank account interest rate risk, compliance risk, reputation risk and strategic risk and IT risk, which were quantified and evaluated through specific measurement methods and tools.

#### 2. Key features of risk management system of the Bank

##### (I) Systemic structure

The Bank has a comprehensive risk management information system mainly comprised of three layers, namely business application, risk analysis and midway data.

1. The business application includes: the core system, credit management system, credit card related systems, capital transaction system, bills system and risk mitigation management system.
2. The risk analysis includes: the internal rating system on corporate clients, market risk implementation information system, portfolio risk quota management system, debt rating system and tools for measuring associated risks among the systems.
3. The midway data includes: corporate database for storing and big data platform.

##### (II) Key features

The risk management system of the Bank was designed and developed by customizing practices of advanced domestic banks based on its strategic development planning and practical circumstances, with key features as follows:

1. Sound systems and data supported mechanisms under the comprehensive risk management system to underpin relevant decision-making on risk management of the Bank;
2. Collection, records and storage of relevant data to support internal rating system, risk measurement and calculation of capital and relevant management and regulatory reporting of the Bank;
3. A sound data management system of the Bank to ensure the accuracy and completeness of all kinds of risk management data.



## Chapter IX Corporate Governance Report

### 9.16 COMPLIANCE AND RISK MANAGEMENT (CONTINUED)

#### 3. Key features of internal control system of the Bank

The Bank attaches great importance to the implementation of the “Basic Norms of Internal Control for Enterprises” and its relevant guidelines and the “Guidelines for Internal Control of Commercial Banks” in a consistent manner, covering corporate governance, business line management and procedural operation – which horizontally cover our business processes and management activities of various business lines and vertically cover the managing bodies of the head office, branches and sub-branches and all employees. The internal control management structure was equipped with well-defined and reasonable duties and responsibilities which clarified internal control management duties of the Board of Directors, the Board of Supervisors and senior management and three defense lines. Under the structure, the Board of Directors was responsible for ensuring the Bank to establish and implement adequate and effective internal control system, the Board of Supervisors was responsible for overseeing the establishment and implementation of internal control by the Board of Directors and senior management, and the senior management was responsible for organizing the day-to-day internal control operation of the Bank. The Bank strengthened its management of the operation of the internal control system and organized operation evaluation of internal control, fully advanced the establishment of the system of factors on internal balanced control and continuously improved and optimized its internal control system so as to support its business development. The Bank has also established an internal control compliance risk management system, which enables the Bank to basically achieve a new compliance management model featured by systems, procedures and information technologies. It has enabled the Bank to make use of information and digital technologies in its internal control management, strongly supporting the breadth and depth of internal control compliance analysis.

#### 4. Risk management and internal control duties of the Board

On the basis of the “Guidelines for the Overall Risk Management of Banking Financial Institutions”, the “Guidelines for Internal Control of Commercial Banks” and other laws and regulations as well as the relevant requirements of the Hong Kong Stock Exchange, the Board of Directors of the Bank has established and implemented a risk management and internal control system and undertaken prompt review of the effectiveness of such systems. The Board of Directors of the Bank is of the view that, the risk management and internal control system established and implemented by the Bank are sufficient and effective. The purpose of the risk management and internal control system of the Bank is to manage rather than eliminate such risks as would prevent the Bank from achieving its business goals, and such system reasonably (rather than absolutely) ensures that there would not be any material misrepresentation or loss.

## Chapter IX Corporate Governance Report

### 9.17 PROCEDURES AND SUPERVISORY MEASURES FOR HANDLING INSIDER INFORMATION

The Bank places great importance on insider information management. In order to strengthen relevant confidentiality of insider information and protect the legitimate interests of investors by maintaining fairness with regard to information disclosure, the Bank formulated relevant management systems on insider information and insider management as well as information disclosure, strictly complied with domestic and offshore regulatory requirements, kept strengthening system management and promptly and appropriately disclosed relevant information.

The Insider Information Management System of the Bank expressly provides for the scope of operational, financial or other information that may have a material impact on the market price of securities of the Bank but has not yet been made available on any media for information disclosure designated by securities regulating authorities and the definition of insiders in connection thereof, as well as detailed requirements on management of insiders, confidentiality of such information and punishment measures for divulgence thereof.



## Chapter X Internal Control

### 10.1 INTERNAL CONTROL

#### 10.1.1 Internal control system and operation

Following the operation philosophy of compliant and steady development, the Bank has established an internal control system consisting of five elements, namely, internal environment, risk assessment, control measures, information and communication, and internal supervision according to the provisions under laws and regulations such as the Basic Norms of Internal Control for Enterprises and its relevant guidelines, the Guidelines for Internal Control of Commercial Banks, the relevant requirements of the Hong Kong Stock Exchange as well as the relevant system requirements of the Bank. The Bank has exerted full control over the whole process of various operation and management of the Bank so as to ensure the compliant and steady development of the Bank.

The Bank established a standard segregation of duties and a scientific and effective checks and balances mechanism. In particular, the Board of the Bank takes ultimate responsibility for the establishment of the internal control system as well as the effectiveness of its implementation. The Board of Supervisors is in charge of overseeing the Board and senior management to establish and improve the internal control system; and overseeing the Board and its directors, senior management and senior officers to perform their duty of internal control. Senior management is responsible for the execution of internal control system and policies approved by the Board of Directors. The operational management departments at all levels and sales networks, the internal control management positioned in each functional department of the head office and branches and the compliance management departments at all levels and the audit department form the “third-line defense of internal control” of the Bank, which take on the responsibility of developing and implementing, providing guidance and supervision and monitoring and assessing the effectiveness of internal control.

During the Reporting Period, the Bank organized and carried out analysis on business processes and factors on internal balanced control, strengthened the construction of internal control management mechanism of branches out of Anhui Province, continuously developed the assessment on compliance risk management for 2020, the assessment on anti-money laundering works for 2020 and case warning education. Based on regulatory requirements, the Bank carried out the “review” campaign on rectification of irregularities and further improved the market risk, credit risk and operational risk management mechanisms. Therefore, the internal control system operated effectively. The Bank conducted self-assessment on the internal control for 2020. After inspection by the Board of the Bank, no significant deficiencies regarding the integrity, rationality and effectiveness of the internal control were identified.

## Chapter X Internal Control

### 10.1 INTERNAL CONTROL (CONTINUED)

#### 10.1.2 Implementation of the “Basic Norms of Internal Control for Enterprises” and its relevant guidelines in a consistent manner

The Bank places great importance to the implementation of the “Basic Norms of Internal Control for Enterprises” and its relevant guidelines in a consistent manner. Firstly, it has defined internal control and management systems and internal control and management duties of the operational department, business lines management department and compliance department. Secondly, the Bank reviewed the factors of internal balanced process. Based on five factors in internal control, it set up factors of internal balanced process for all business lines and business types from six dimensions, including the decision-making and approval process, hierarchical authorization management and control, internal supervision and rectification. Thirdly, it improved the system on the management of behaviors of employees, deeply conducted inspections on abnormal behaviors of employees and adopted big data and information technology to improve the inspection quality. Fourthly, it organized and implemented the internal control appraisal for 2020 and set up appraisal indicators on quality asset, regulation appraisal, implementation of systems and other dimensions. Based on results of the assessment, the design and execution of the internal control of the Bank were good, with basically sound internal control mechanisms and effective execution of control measures.

### 10.2 INTERNAL AUDIT

We have implemented an internal audit system, set up an internal audit department which consists of five audit segments by region, and established an independent and vertical management system for audit as well as the reporting system and lines for internal audit, which enabled the establishment of a complete internal audit system. We have established an audit model which combines on-site audit with off-site monitoring, and carried auditing activities efficiently in accordance with the audit plan and annual plan approved by the Board of Directors.

The internal audit department of the Bank investigated, evaluated and facilitated the business activities, risk profile, internal control and corporate governance status of the Bank through systematic and standardized methods with a view to promoting its sound development and value enhancement. The internal audit department shall report to the Board of Directors, the Board of Supervisors and the senior management regularly on audit work.

In 2020, the internal audit department of the Bank continued to adhere to the audit philosophy of “risk-oriented, service-tended and appreciation-aiming” and act around the overall development strategy of the Group, focus on key sectors of operation and management, make overall arrangements on auditing activities, enhance the audit and supervision capacity and play the role of internal audit. It further promoted enhancement of the internal control and risk management as well as refinement of management of the Bank.



## Chapter X Internal Control

### 10.3 EVALUATION ON INTERNAL CONTROL

In 2020, in accordance with relevant requirements on internal control assessment of commercial banks under the “Guidelines for Internal Control of Commercial Banks” and other systems and provisions and under the guidance of the Audit Committee under the Board, the Bank organized and carried out the assessment on internal control for 2020. The assessment focused on five elements, namely internal environment, risk appraisal, control activities, information and communications and internal supervision to carry out a comprehensive evaluation on the business, institutions, and risk management policies of the Bank.

## Chapter XI Report of the Board of Supervisors

During the Reporting Period, the Board of Supervisors supervised the Bank's internal control, risk management, financial activities, legal compliance of operations, as well as the performance of duties of the Board of Directors and senior management in accordance with the Company Law of the People's Republic of China, Guidelines for the Corporate Governance of Commercial Banks, Guidelines for the Work of the Board of Supervisors in Commercial Banks and the responsibilities defined by the Bank's Articles of Association.

The Board of Supervisors has expressed an independent opinion on following matters:

- (I) The operation in compliance with laws. During the Reporting Period, the Board of Directors and senior management of the Bank continued legal compliance of operations and the decision-making procedures complied with laws and regulations and the Articles of Association of the Bank. Members of the Board of Directors and senior management diligently and faithfully performed the responsibilities defined by the Bank's Articles of Association.
- (II) Preparation of financial report. Preparation and review procedures of the financial report were in compliance with laws, regulations and regulatory rules. The contents of the report reflected the Bank's actual conditions in a true, accurate and complete manner. The Board of Supervisors has no objection to the standard unqualified audit report audited and issued by Ernst & Young in accordance with ISAs.
- (III) Related party transactions. During the Reporting Period, related party transactions of the Bank complied with national laws and regulations and the Articles of Association of the Bank and the Board of Supervisors did not identify any circumstance that harmed the interests of the Bank and the shareholders.
- (IV) Purchase and sale of assets. During the Reporting Period, the Board of Supervisors did not identify any insider trading or any circumstance that harmed the interests of the shareholders or caused the loss of the Bank's assets in the Bank's purchase or sale of assets.
- (V) Internal control. During the Reporting Period, the Bank strived to put internal control as its priority, strictly implemented regulatory requirements and continued to strengthen and improve internal control. The Board of Supervisors had no objection to Huishang Bank 2020 Internal Control Assessment Report.
- (VI) Risk management. During the Reporting Period, the Bank adhered to categorizing policies, addressing both root causes and symptoms, strengthened risk management and control in key areas, advanced risk disposal in an orderly manner, continued to promote the establishment of a comprehensive risk management system and intensified the implementation of responsibilities. All risk regulatory indicators remain stable and the overall risk situation is controllable.
- (VII) Implementation of resolutions of shareholders' general meetings. The Board of Supervisors has no objection to the reports and proposals submitted by the Board of Directors of the Bank to the shareholders' general meetings for consideration in 2020, supervised the implementation of the resolutions of the shareholders' general meetings, and was of the view that the Board of Directors and the senior management have well implemented the relevant resolutions of shareholders' general meetings.
- (VIII) Implementation of information disclosure systems. During the Reporting Period, the Bank carefully implemented information disclosure management systems and performed information disclosure obligations. No non-compliance with laws and regulations was identified in information disclosure.

Save as disclosed above, the Board of Supervisors had no objection to any other matters during the Reporting Period.

By Order of the Board of Supervisors  
**He Jiehua**  
Chairman of the Board of Supervisors

26 March 2021

# Chapter XII Financial Report







## Chapter XII Financial Report Independent Auditor's Report



Ernst & Young  
22/F, CITIC Tower  
1 Tim Mei Avenue  
Central, Hong Kong

安永會計師事務所  
香港中環添美道1號  
中信大廈22樓

Tel 電話: +852 2846 9888  
Fax 傳真: +852 2868 4432  
ey.com

**To the Board of Directors of Huishang Bank Corporation Limited**  
*(Incorporated in the People's Republic of China with limited liability)*

### OPINION

We have audited the consolidated financial statements of Huishang Bank Corporation Limited (the "Bank") and its subsidiaries (the "Group") set out on pages 160 to 313 which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated statement of cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

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

### KEY AUDIT MATTERS

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

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

## Chapter XII Financial Report

### Independent Auditor's Report

#### Key audit matter

#### How our audit addressed the key audit matter

##### ***Business combination and goodwill impairment assessment***

On 23 November 2020, the Bank completed the acquisition of selected businesses of BaoShang bank, which included certain assets, liabilities and personnel of four branches of BaoShang bank at zero consideration. The Bank recognized goodwill of RMB14.57 billion as a result of this acquisition.

The Bank engaged an independent external professional firm to assist in the evaluation of the acquisition target, determining the fair value of the identifiable assets and liabilities acquired.

The amount of this transaction is significant and the determination of the purchase date and the fair value of the identifiable assets and liabilities that were acquired involves significant judgements and estimates. Business combination was considered a key audit matter.

Under IAS 36, the management of the Bank is required to perform impairment assessment both annually and whenever there is an indication that a group of cash-generating units ("CGUs") to which goodwill has been allocated may be impaired.

The Bank engaged an independent external professional firm to assist in the goodwill impairment testing. The recoverable amounts of CGUs to which the goodwill had been allocated were determined based on the value in use by discounted cash flow projection method. The discounted cash flow projection method involved significant judgements and estimates which included assumptions such as growth rate and discount rate, etc. Goodwill impairment assessment was considered a key audit matter.

Relevant disclosures of the business combination and goodwill impairment assessment are included in Note 4, Note 47 and Note 29 to the financial statements.

Our audit procedures in relation to the business combination included:

- 1) Obtained and reviewed the Acquisition and Takeover Agreement, resolutions of general meeting and the board of directors meeting related to this acquisition, documents for the transfer of property rights, and discussed with the management of the Bank on the determination of the purchase date;
- 2) Obtained and checked the valuation results of the acquisition target, and involved our valuation specialists to assist in reviewing and evaluating the valuation methods adopted and assumptions made by independent external professional firm engaged by the Bank for the determination of the identifiable assets and liabilities acquired in the business combination;
- 3) Reviewed the professional competence and independence of the independent external professional firm engaged by the Bank;
- 4) Reviewed the accounting treatment of the business combination on the purchase date;

Our audit procedures in relation to the goodwill impairment assessment included involving our valuation specialists to assist us in evaluating the assumptions and methodologies used by the Bank, especially the discount rate and the long-term growth rate applied in the discounted cash flow projection method. We assessed the reasonableness of the forecasted earnings of the CGUs' via comparison with comparable peer companies and discussed with the management of the Bank of the business development plan.

## Chapter XII Financial Report Independent Auditor's Report

### Key audit matter

### How our audit addressed the key audit matter

#### ***Impairment assessment of loans and advances to customers and financial investments at amortised cost***

The Group uses a number of different models and assumptions in the measurement of expected credit losses, for example:

- Significant increase in credit risk – The selection of criteria for identifying a significant increase in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for loans with longer remaining periods to maturity;
- Model and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions;
- Forward-looking information – Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights; and
- Individual impairment assessment – Identifying credit impaired loans requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.

We evaluated and tested the effectiveness of design and implementation of key controls related to the credit approval process, post approval credit management, loan rating system, collateral monitoring and loan impairment assessment, including relevant data quality and information systems.

We adopted a risk-based sampling approach in our loan review procedures and financial investments at amortised cost. We assessed the debtors' repayment capacity and evaluated the Group's loan grading and financial investments at amortised cost, taking into consideration post-lending investigation reports, debtors' financial information, collateral valuation reports and other available information.

With the support of our internal credit risk modelling experts, we evaluated and tested the important parameters of the expected credit loss model, management's major judgements and related assumptions, mainly focusing on the following aspects:

## Chapter XII Financial Report

### Independent Auditor's Report

#### Key audit matter

#### How our audit addressed the key audit matter

#### ***Impairment assessment of loans and advances to customers and financial investments at amortised cost (Continued)***

Since loan impairment assessment involved many judgements and assumptions, and in view of the significance of the amount (as at 31 December 2020, net loans and advances to customers amounted to RMB553.40 billion, representing 43.52% of the total assets; financial investments at amortised cost amounted to RMB266.91 billion, representing 20.99% of total assets; loan impairment amounted to RMB20.65 billion, and allowance for impairment losses on financial investments at amortised cost amounted RMB12.13 billion), impairment of loans and advances and financial investments at amortised cost was considered a key audit matter.

Relevant disclosures are included in Note 4, Note 23, Note 24, Note 53.1.5 and Note 53.1.6 to the consolidated financial statements.

#### 1. Expected credit loss model:

- Assessed the reasonableness of the expected credit loss model methodology and related parameters, including probability of default, loss given default, risk exposure, and any significant increase in credit risk;
- Assessed the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumption of multiple macroeconomic scenarios;
- Evaluated the models and the related assumptions used in individual impairment assessment and analysed the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.

#### 2. Design and operating effectiveness of key controls:

- Evaluated and tested the data and processes used to determine expected credit losses, including loan business data, internal credit rating data, macroeconomic data, computational logic of impairment procedures, as well as data inputs;
- Evaluated and tested key controls over the expected credit loss models, including approval of model changes, ongoing monitoring model performance, model validation and parameter calibration.

## Chapter XII Financial Report Independent Auditor's Report

### Key audit matter

### How our audit addressed the key audit matter

#### ***Consolidation of structured entities assessment***

The Group has established various structured entities, such as bank wealth management products, funds, trust plans, in conducting asset management business and investments. The Group determines whether or not to consolidate these structured entities based on the assessment of whether the Group has control over them through taking into consideration the power arising from rights, variable returns, and the link between power and returns.

The assessment of the Group's control over structured entities involves significant judgement and estimation such as the purpose and design of structured entities, its ability to direct relevant activities, interests it holds directly or indirectly, the performance fee obtained, profit and the exposure to loss from providing credit enhancement or liquidity support, etc.

As at 31 December 2020, the carrying value of unconsolidated wealth management products managed by the Group was RMB201.83 billion, and the carrying value of investments in unconsolidated structured entities invested by the Group was RMB269.54 billion. Due to the significance of the unconsolidated structured entities and the complexity of judgement exercised by management, consolidation assessment of structured entities was considered a key audit matter.

Relevant disclosures are included in Note 4 and Note 48 to the consolidated financial statements.

We assessed and tested the design and operating effectiveness of the key controls relating to the Group's assessment of whether it controls a structured entity.

We assessed the Group's analysis and conclusions on whether or not it controls structured entities by reviewing the relevant term sheets to analyse whether the Group has the obligation to absorb any loss of structured entities, as well as the Group's analysis on its power over structured entities, the magnitude and variability of variable returns from its involvement with structured entities. We also assessed whether the Group had provided liquidity support or credit enhancement to structured entities, as well as fairness of transactions between the Group and structured entities.

## Chapter XII Financial Report

# Independent Auditor's Report

### OTHER INFORMATION INCLUDED IN THE BANK'S 2020 ANNUAL REPORT

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

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

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

### RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

## Chapter XII Financial Report Independent Auditor's Report

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

## Chapter XII Financial Report

### Independent Auditor's Report

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

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

#### **Ernst & Young**

*Certified Public Accountants*

Hong Kong,  
26 March 2021



## Consolidated Income Statement

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	2020	2019
Interest income	7	51,309,959	48,443,528
Interest expense	7	(25,557,758)	(23,102,774)
<b>Net interest income</b>		<b>25,752,201</b>	25,340,754
Fee and commission income	8	3,963,023	3,862,211
Fee and commission expense	8	(346,478)	(312,998)
<b>Net fee and commission income</b>		<b>3,616,545</b>	3,549,213
Net trading gains	9	2,496,536	2,099,853
Net gains on financial investments	10	169,099	85,331
Dividend income		1,440	1,200
Other operating income, net	11	254,577	82,967
<b>Operating income</b>		<b>32,290,398</b>	31,159,318
Operating expenses	12	(7,654,324)	(7,091,775)
Impairment losses on credits	15	(12,258,771)	(11,897,262)
Impairment losses on assets		61,911	(22,824)
<b>Operating profit</b>		<b>12,439,214</b>	12,147,457
Investments in associates		(356,518)	153,360
<b>Profit before income tax</b>		<b>12,082,696</b>	12,300,817
Income tax expense	16	(2,161,316)	(2,239,218)
<b>Profit for the year</b>		<b>9,921,380</b>	10,061,599
Attributable to:			
Equity holders of the Bank		9,569,720	9,818,780
Non-controlling interests		351,660	242,819
		<b>9,921,380</b>	10,061,599
Earnings per share attributable to the ordinary shareholders of the Bank (expressed in RMB per share)			
<b>Basic/Diluted</b>	17	<b>0.72</b>	0.78

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

## Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	2020	2019
<b>Profit for the year</b>		<b>9,921,380</b>	10,061,599
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
– Net gains on investments in equity instruments designated at fair value through other comprehensive income	42	<b>53,888</b>	37,857
Less: associated impact of income tax- Net gains on investments in equity instruments designated at fair value through other comprehensive income	42	<b>(13,472)</b>	(9,464)
<b>Subtotal</b>		<b>40,416</b>	28,393
<b>Items that may be reclassified subsequently to profit or loss</b>			
– Net gains on investments in debt instruments measured at fair value through other comprehensive income	42	<b>(1,221,217)</b>	279,544
Less: associated impact of income tax	42	<b>305,304</b>	(69,886)
<b>Subtotal</b>		<b>(915,913)</b>	209,658
<b>Other comprehensive income for the year, net of tax</b>		<b>(875,497)</b>	238,051
<b>Total comprehensive income for the year</b>		<b>9,045,883</b>	10,299,650
<b>Attributable to:</b>			
Equity holders of the Bank		<b>8,694,223</b>	10,056,831
Non-controlling interests		<b>351,660</b>	242,819
		<b>9,045,883</b>	10,299,650

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

## Consolidated Statement of Financial Position

As at 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

	Note	As at 31 December 2020	As at 31 December 2019
<b>Assets</b>			
Cash and balances with central bank	18	98,384,201	91,971,254
Deposits with banks and other financial institutions	19	11,298,071	14,254,228
Precious metals		2,396,872	–
Placements with banks and other financial institutions	20	5,276,712	4,737,805
Derivative financial assets	21	137,998	235,406
Financial assets held under resale agreements	22	249,376	28,651,227
Loans and advances to customers, net	23	553,399,162	450,419,777
Financial Investments			
– Financial assets at fair value through profit or loss	24	123,050,846	95,225,453
– Financial assets at fair value through other comprehensive income	24	120,566,048	103,176,393
– Financial assets at amortised cost	24	266,910,064	278,852,511
Investment in associates	25	4,474,260	1,242,338
Property, plant and equipment	26	4,638,273	2,059,114
Right-of-use assets	27	1,168,912	1,058,243
Goodwill	29	14,567,826	–
Deferred income tax assets	38	9,727,450	8,161,629
Finance lease receivables	28	49,053,964	43,949,191
Other assets	30	6,400,663	7,726,669
<b>Total assets</b>		<b>1,271,700,698</b>	<b>1,131,721,238</b>
<b>Liabilities</b>			
Borrowings from central bank		69,583,283	40,688,546
Deposits from banks and other financial institutions	32	93,589,884	111,335,636
Placements from banks and other financial institutions	33	35,294,576	36,303,061
Derivative financial liabilities	21	140,781	281,329
Financial assets sold under repurchase agreements	34	40,399,371	50,364,962
Deposits from customers	35	726,742,778	603,454,819
Taxes payable	36	2,628,242	3,222,545
Debt securities issued	39	180,635,695	183,242,708
Other liabilities	37	17,013,449	13,334,003
<b>Total liabilities</b>		<b>1,166,028,059</b>	<b>1,042,227,609</b>
<b>Equity</b>			
Share capital	40	13,889,801	12,154,801
Other equity instruments	40	15,989,901	15,989,901
Capital reserve	40	14,919,197	6,760,445
Surplus reserves	41	13,234,045	11,365,283
General reserves	41	12,295,832	11,115,027
Other comprehensive income	42	949,630	1,825,127
Retained earnings		31,762,661	27,998,413
Equity attributable to shareholders of the bank		103,041,067	87,208,997
Non-controlling interests		2,631,572	2,284,632
<b>Total equity</b>		<b>105,672,639</b>	<b>89,493,629</b>
<b>Total equity and liabilities</b>		<b>1,271,700,698</b>	<b>1,131,721,238</b>

Approved and authorized for issue by the Board of Directors on 26 March 2021.

**Wu Xuemin**

Chairman

**Zhang Renfu**

President

**Li Dawei**

Financial Controller

**Fang Lixin**

Head of Finance Department

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

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2020  
 (All amounts expressed in thousands of RMB unless otherwise stated)

	Equity attributable to shareholders of the Bank								
	Share	Other	Capital	Surplus	General	Other	Retained	Non-	Total
	capital	equity	reserve	reserves	reserves	comprehensive	earnings	controlling	equity
	Note 40	Note 40	Note 40	Note 41	Note 41	Note 42		interests	
<b>As at 1 January 2020</b>	12,154,801	15,989,901	6,760,445	11,365,283	11,115,027	1,825,127	27,998,413	2,284,632	89,493,629
<b>(1) Comprehensive income</b>									
Profit for the year	-	-	-	-	-	-	9,569,720	351,660	9,921,380
Fair value changes through other comprehensive income	-	-	-	-	-	(615,476)	-	-	(615,476)
Asset impairment through other comprehensive income	-	-	-	-	-	(260,021)	-	-	(260,021)
<b>Total comprehensive income for the year</b>						(875,497)	9,569,720	351,660	9,045,883
<b>(2) Profit distribution</b>									
Dividends	-	-	-	-	-	-	(2,755,905)	(4,720)	(2,760,625)
Additional capital stock	1,735,000	-	8,158,752	-	-	-	-	-	9,893,752
Perpetual bonds issued	-	-	-	-	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	1,868,762	-	-	(1,868,762)	-	-
Appropriation to general reserve	-	-	-	-	1,180,805	-	(1,180,805)	-	-
<b>(3) Changes in share capital</b>	-	-	-	-	-	-	-	-	-
<b>As at 31 December 2020</b>	13,889,801	15,989,901	14,919,197	13,234,045	12,295,832	949,630	31,762,661	2,631,572	105,672,639
<b>As at 1 January 2019</b>	12,154,801	5,990,090	6,760,445	9,553,466	9,117,707	1,587,076	23,048,940	2,064,934	70,277,459
<b>(1) Comprehensive income</b>									
Profit for the year	-	-	-	-	-	-	9,818,780	242,819	10,061,599
Other comprehensive income, net of tax	-	-	-	-	-	307,909	-	-	307,909
Asset impairment through other comprehensive income	-	-	-	-	-	(69,858)	-	-	(69,858)
<b>Total comprehensive income for the year</b>	-	-	-	-	-	238,051	9,818,780	242,819	10,299,650
<b>(2) Profit distribution</b>									
Dividends	-	-	-	-	-	-	(1,060,170)	(23,121)	(1,083,291)
Additional capital stock	-	9,999,811	-	-	-	-	-	-	9,999,811
Appropriation to surplus reserve	-	-	-	1,811,817	-	-	(1,811,817)	-	-
Appropriation to general reserve	-	-	-	-	1,997,320	-	(1,997,320)	-	-
<b>(3) Changes in share capital</b>									
<b>As at 31 December 2019</b>	12,154,801	15,989,901	6,760,445	11,365,283	11,115,027	1,825,127	27,998,413	2,284,632	89,493,629

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

## Consolidated Statement of Cash Flows

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

	2020	2019
<b>Cash flows from operating activities:</b>		
Profit before income tax	<b>12,082,696</b>	12,300,817
Adjustments:		
Credit losses on assets	<b>12,258,771</b>	11,897,262
Impairment losses on assets	<b>(61,911)</b>	22,824
Recovery of loans written off	<b>860,902</b>	582,663
Depreciation and amortization	<b>842,314</b>	730,661
Net losses/(gains) on disposals of property, plant and equipment	<b>150,724</b>	(7,893)
Net gains on de-recognition of investment securities	<b>(169,099)</b>	(85,331)
Fair value changes in financial assets at fair value through profit or loss and derivatives	<b>61,832</b>	304,813
Share of results of associates	<b>356,518</b>	(153,360)
Dividend income	<b>(1,440)</b>	(1,200)
Interest income from investment securities	<b>(18,388,771)</b>	(20,515,680)
Interest expense from lease liabilities	<b>147,142</b>	39,976
Interest expense from debt securities issued	<b>5,536,641</b>	4,799,737
Net changes in operating assets:		
Net (increase)/decrease in balances with central bank	<b>(8,943,097)</b>	3,935,540
Net decrease/(increase) in deposits and placements with banks and other financial institutions	<b>1,488,633</b>	(2,724,222)
Net increase in financial assets at fair value through profit or loss	<b>(15,444,951)</b>	(11,375,987)
Net decrease/(increase) in financial assets held under resale agreements	<b>28,475,352</b>	(2,375,783)
Net increase in loans and advances to customers	<b>(90,933,040)</b>	(84,155,794)
Net increase in finance lease receivables	<b>(6,221,338)</b>	(8,902,768)
Net decrease/(increase) in other assets	<b>354,839</b>	(9,857,973)
Net changes in operating liabilities:		
Net (decrease)/increase in deposits and placements from banks and other financial institutions	<b>(27,561,862)</b>	1,400,666
Net decrease in financial liabilities at fair value through profit or loss	–	(555,716)
Net (decrease)/increase in borrowings from central bank	<b>29,158,318</b>	(288,963)
Net (decrease)/increase in financial assets sold under repurchase agreements	<b>(9,783,785)</b>	22,559,061
Net increase in deposits from customers	<b>89,297,547</b>	27,873,180
Net increase in other liabilities	<b>7,666,062</b>	6,611,181
Income taxes paid	<b>(4,094,816)</b>	(4,867,163)
<b>Net cash flows from/(used in) operating activities</b>	<b>7,134,181</b>	(52,809,452)

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

## Consolidated Statement of Cash Flows

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

	2020	2019
<b>Cash flows from investing activities:</b>		
Dividends received	1,440	1,200
Proceeds from disposal of property, plant and equipment, intangible assets and other long-term assets	922	20,646
Purchase of property, plant and equipment, intangible assets and other long-term assets	(968,423)	(443,700)
Cash received from interest income on investment securities	18,444,402	20,537,476
Cash received from sale and redemption of investment securities	140,505,021	275,127,516
Cash paid for acquisition	(26,930,515)	–
Cash paid on additional subsidiaries and affiliates	(3,600,000)	–
Purchase of investment securities	(137,250,122)	(240,527,944)
<b>Net cash flows from investing activities</b>	<b>(9,797,275)</b>	<b>54,715,194</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of debt securities	257,680,000	204,430,000
Cash received from investment	9,893,752	9,999,811
Dividends and interests paid on debt issued	(7,159,680)	(5,279,712)
Cash paid relating to lease liabilities	(379,182)	(316,954)
Cash paid relating to debt repayment	(260,437,563)	(199,062,931)
<b>Net cash flows from financing activities</b>	<b>(402,673)</b>	<b>9,770,214</b>
<b>Impact on cash and cash equivalents resulting from exchange rate changes</b>	<b>(235,036)</b>	<b>(48,929)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,300,803)</b>	<b>11,627,027</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>45,696,182</b>	<b>34,069,155</b>
<b>Cash and cash equivalents at end of year (Note 49)</b>	<b>42,395,379</b>	<b>45,696,182</b>

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 1 GENERAL INFORMATION

Huishang Bank Corporation Limited (the “Bank”) is a joint stock commercial bank registered in Anhui Province, the People’s Republic of China (the “PRC”). The Bank was formerly known as Hefei City Cooperatives Bank, which was established on 4 April 1997 with the approval of the People’s Bank of China (“the PBOC”), Anhui Branch and Anhui Economic Reform Committee and was renamed as Hefei Commercial Bank Co., Ltd. on 28 July 1998. The Bank was further renamed as Huishang Bank Corporation Limited on 30 November 2005 with the approval of the general office of the China Banking Regulatory Commission (“CBRC”) and CBRC Anhui Branch. As approved by CBRC Anhui Branch, the Bank acquired five former city commercial banks in Wuhu, Ma’ anshan, Anqing, Huaibei and Bengbu and seven city credit cooperatives in Lu’an, Huainan, Tongling and Fuyang Technology, Fuyang Xinying, Fuyang Yinhe and Fuyang Jinda on 28 December 2005. The Bank holds the financial institution licence B0162H234010001 from CBRC Anhui Branch and the business licence of legal enterprise with unified social credit code No. 913400001489746613. The registered address of the Bank is No. 79, Anqing Road, Hefei, China. In November 2013, the Bank’s H shares were listed on the Hong Kong Stock Exchange (Stock Code: 3698). As at 31 December 2020, the registered and paid-in capital of the Bank was RMB13.89 billion.

The principal activities of the Bank and its subsidiaries (collectively, the “Group”) include Renminbi (“RMB”) and foreign currency deposits, loans, clearing and settlement services, asset custody services, finance leasing services, and the provision of services as approved by the respective regulators.

Information of the Bank’s subsidiaries:

Company name	Place of incorporation and operation	Date of Incorporation	Principal activity	Registered capital	Equity held	Legal categories
Jinzhai Huiyin Village and Township Bank Co., Ltd. (a)	Mainland China	2013/06/28	Financial services	80,000	41%	Limited liability company
Wuwei Huiyin Village and Township Bank Co., Ltd. (b)	Mainland China	2010/08/08	Financial services	100,000	40%	Limited liability company
Huiyin Financial Leasing Co., Ltd. (c)	Mainland China	2015/04/29	Financial services	3,000,000	54%	Limited liability company
Huiyin Wealth Management Co., Ltd., (d)	Mainland China	2020/04/26	Financial services	2,000,000	100%	Limited liability company

(a) The Bank invested 41% of the total capital contribution to establish Jinzhai Huiyin Village and Township Bank Co., Ltd. (“Jinzhai Huiyin”) on 28 June 2013. The Bank and the other three shareholders who invested a total 30% of the capital contribution signed the Acting in Concert Agreement. These shareholders agreed to act in concert with the Bank when voting for material decisions regarding financial and operation policies. The Bank has control over Jinzhai Huiyin and consolidates it.

In May 2017, one of the three shareholders who signed the Acting in Concert Agreement transferred its stake to external shareholders, and its Acting in Concert Agreement expired. The Bank and the two remaining shareholders who signed the Acting in Concert Agreement are persons acting in concert, these shareholders agreed to act in concert with the Bank when voting for material decisions regarding financial and operating policies. The Bank has control over Jinzhai Huiyin, so the Bank consolidates Jinzhai Huiyin.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 1 GENERAL INFORMATION (CONTINUED)

- (b) The Bank established Wuwei Huiyin Village and Township Bank Co., Ltd. (“Wuwei Huiyin”) in 2010. The registered capital of Wuwei Huiyin is RMB0.1 billion. The Group invested RMB40 million, which is accounted for 40%. Wuwei Huiyin officially commenced its business on 8 August 2010 with the approval of the CBRC. Although the Bank has no absolute controlling interest in Wuwei Huiyin, the company’s operating activities in four years after its incorporation indicated that the Bank has a dominant position and control over operating and financing activities of Wuwei Huiyin by taking into full account of various factors. The Bank consolidated Wuwei Huiyin from 31 December 2014.
- (c) The Bank invested 51% to establish Huiyin Financial Leasing Co., Ltd. on 29 April 2015. The Bank has control over Huiyin Financial Leasing Co., Ltd. and consolidates it. In March 2018, the Bank invested RMB687 million to participate in the capital increase and expansion of Huiyin Financial Leasing Co., Ltd., the registered capital of Huiyin Financial Leasing Co., Ltd. increased from RMB2 billion to RMB3 billion, and the Bank’s shareholding ratio increased to 54%.
- (d) The Bank invested RMB2 billion on April 26, 2020 to establish Huiyin Wealth Management Co., Ltd., which was included in the consolidated financial statements because it has 100% control.

These consolidated financial statements have been approved by the Board of Directors on 26 March 2021.

## 2 BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the reporting period presented unless otherwise stated.

### 2.1 Basis of preparation and critical accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and interpretations promulgated by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2020, together with the relevant transitional provisions, have been adopted by the Group in the preparation of the financial statements throughout the reporting period.

Financial assets at fair value through profit or loss (including derivative financial instruments), financial assets and financial liabilities at fair value through other comprehensive income are measured at their fair values in the consolidated financial statements. Assets held for sale are measured at the lower of their fair value less estimated costs and the carrying amount when the conditions for sale are met. Other accounting items are measured at their historical costs. Impairment is recognised if there is objective evidence of impairment of assets. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.1 Basis of preparation and critical accounting policies (Continued)

#### 2.1.1 Standards, amendments and interpretations effective in 2020

On 1 January 2020, the Group adopted the following standards, amendments and interpretations.

IFRS 3 Amendments	<i>Definition of a Business</i>
IAS 1 and IAS 8 Amendments	<i>Definition of Material</i>
IFRS 9, IAS 39 and IFRS 7 Amendments	<i>Interest Rate Benchmark Reform</i>
IFRS 16 Amendment	<i>Covid-19-Related Rent Concessions</i>

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 and IAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

IFRS 9, IAS 39 and IFRS 7 amendments modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate ("RFR"), the entities that apply these hedge accounting requirements can assume that the interest rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest rate benchmark reform. The amendments must be applied retrospectively.

IFRS 16 Amendment provides for rent relief during COVID-19, which provides an exemption for lessees. For lease payments due before June 2021, lessees are not required to apply the guidance on accounting treatment of lease changes in IFRS 16 for rent relief granted due to the impact of COVID-19. The amendment is applicable for annual reporting periods beginning on or after 1 June 2020 and earlier application is permitted. The group has applied the amendments from 1 January 2020.

The adoption of the above standards, amendments and interpretations does not have any significant impact on the operating results, financial position and comprehensive income of the Group.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.1 Basis of preparation and critical accounting policies (Continued)

#### 2.1.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2020.

		Effective for annual periods beginning on or after
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	Interest Rate Benchmarks Reform-Phase 2	1 January 2021
IFRS 3 Amendments	Reference to the Conceptual Framework	1 January 2022
IAS 16 Amendments	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
IAS 37 Amendments	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 Amendments and IFRSs Practice Notice No. 2	Disclosure of Accounting policies	1 January 2023
IAS 8 Amendments	Definition of Accounting Estimates	1 January 2023
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely
Annual Improvements to IFRS standard 2018-2020 (issued in May 2020)		1 January 2022

IFRS 9, IFRS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendment) are designed to address accounting issues arising from the transition of financial instruments that reference interbank offered rates to an approximate risk-free rate. The amendment includes a practical variation on contract modifications, allowing companies to treat changes in cash flow as floating rate changes as a result of contract changes or changes in cash flow as a direct result of the benchmark reform. The amendment also allows hedging relationships not to be terminated as a result of changes made to the IFRS 9 and IAS 39 in the hedging documentation. In addition, IFRS 9 and IAS 39 require that the risk component (or a designated component) be “individually identifiable”, and when a risk-free interest rate instrument is designated as a risk component for hedging, the amendment provisionally provides an exemption for the subject to meet the individually identifiable requirement. The subject is required to disclose the risks arising from the reform and the management measures for the transition to an alternative base rate.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.1 Basis of preparation and critical accounting policies (Continued)

#### **2.1.2 Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2020. (Continued)**

IFRS 3 Amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

IAS 16 (Amendment) prohibits an entity from deducting from the cost of real estate, site and equipment the proceeds from the sale of such assets in the course of transporting them to a designated location and to a condition expected by management to be usable. Instead, entities record the proceeds from the sale of these assets and the cost of production as profit or loss.

IAS 37 (Amendment) aims to clarify the costs that entities are required to include when assessing a contract as a loss. The revision uses the “directly related cost method”. Costs directly associated with contracts for the provision of goods or services include both incremental costs and cost-sharing directly associated with contractual activities. General administrative costs are not directly related to the contract and should not be included unless the contract expressly states that such costs are to be charged to the counterparty.

IAS 1 (Amendment) aims to clarify the requirements for classifying liabilities as current or non-current. The amendment clarifies the meaning of deferred liquidation rights by requiring that deferred liquidation rights must exist at the end of the reporting period and that the classification of liabilities is not affected by the possibility of the subject exercising its deferred liquidation rights. Moreover, only if the embedded derivative in a convertible bond is itself an equity instrument will the terms of the liability not affect its classification.

IAS 1 and IFRS Practice Notice No. 2 (Amendment) provide guidance for subjects to apply materiality judgments to accounting policy disclosures. The revision requires the subject to disclose its “material” accounting policies instead of “material” accounting policies, and provides an example for how the subject applies the concept of materiality in accounting policy disclosure.

IAS. 8 (Amendment) introduces a new definition of “accounting estimates”. The revision aims to clarify the differences between changes in accounting estimates, changes in accounting policies and correction of errors.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 2 BASIS OF PREPARATION (CONTINUED)

### 2.1 Basis of preparation and critical accounting policies (Continued)

#### 2.1.2 *Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2020. (Continued)*

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

Annual Improvements to IFRS standard 2018-2020 were released in May 2020. The amendment to IFRS No. 9 – Financial instruments clarifies the expense to be taken into account in performing the “10%” test for the termination of recognition of financial liabilities when the subject assesses whether the terms of the new or amended financial liability differ materially from those of the original financial liability. These fees include only fees paid or received between the Borrower and the Lender, including fees paid or received by the Borrower or the Lender on behalf of the other. The amendment to lease incentives removes IFRS No. 16 – the description of payments made by the lessor in relation to lease incentives item in Example 13 attached to the IFRS No. 16 to address potential confusion regarding the accounting treatment of lease incentives in the application of IFRS No. 16.

The above standards and amendments have no material impact on consolidated financial statements.

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

### 3.1 Business combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. If there is any indication that goodwill is impaired, recoverable amount is estimated and the difference between carrying amount and recoverable amount is recognised as an impairment charge. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.2 Subsidiaries

Subsidiaries are all entities (including corporates, divided parts of associates and joint ventures, and structured entities controlled by corporates) over which the Group has control. That is the Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible and rights arising from other contractual arrangements are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. If the changes of the relevant facts and circumstances resulting in the definition of control involved in the changes of relevant elements, the Group will re-evaluate whether subsidiaries are controlled.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

In the Bank's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments, but does not include acquisition-related costs, which are expensed as incurred. The dividends or profits declared to distribute by the invested entity shall be recognised by the Bank as the current investment income from subsidiaries. The Group assesses at each financial reporting date whether there is objective evidence that investments in subsidiaries are impaired. An impairment loss is recognised for the amount by which the investments in subsidiaries' carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the investments in subsidiaries' fair value less costs to sell and value in use.

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income are reclassified to the income statement.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.3 Associates

Associates are all entities over which the Group has significant influence but no control or joint control, generally accompanying a shareholding between 20% and 50% of the voting rights.

Joint ventures exist where the Group has a contractual arrangement with one or more parties to undertake economic activities which are subject to joint control.

Investments in associates are initially recognised at cost and are accounted for using the equity method of accounting. The Group's "Investments in associates" includes goodwill.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of associates and have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assesses at each financial reporting date whether there is objective evidence that investments in associates and joint ventures are impaired. Impairment losses are recognised for the amounts by which the investments in associates and joint ventures' carrying amounts exceed its recoverable amounts. The recoverable amounts are the higher of investments in associates and joint ventures' fair value less costs to sell and value in use.

### 3.4 Foreign currency translations

The consolidated financial statements of the Group are presented in RMB, being the functional and presentation currency of the Bank and its subsidiaries.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or the exchange rates that approximate the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the foreign exchange rates ruling at that date. Changes in the fair value of monetary securities denominated in foreign currency classified as financial assets at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in the income statement, and other changes in the carrying amount are recognised in other comprehensive income. Translation differences on all other monetary assets and liabilities are recognised in the income statement.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.4 Foreign currency translations (Continued)

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates as at the date when the fair value is determined. Translation differences on non-monetary financial assets at fair value through other comprehensive income are recognised in other comprehensive income. Translation differences on non-monetary financial assets and financial liabilities at fair value through profit or loss are recognised in exchange gains of the income statement.

### 3.5 Cash and cash equivalents

Cash and cash equivalents refer to short term highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents comprise cash, unrestricted balances with the central bank, amounts due from banks and other financial institutions and reverse repurchase agreements with original maturity of less than three months.

### 3.6 Financial instruments

#### 3.6.1 Initial recognition and measurement

An entity shall recognise a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument, which is the trade date.

At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. For a financial asset or financial liability at fair value through profit or loss, transaction costs are directly recognised in profit or loss.

The fair value of a financial instrument at initial recognition is normally the transaction price. If an entity determines that the fair value at initial recognition differs from the transaction price, and if that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, the entity shall recognise the difference between the fair value at initial recognition and the transaction price as a gain or loss.

#### 3.6.2 Classification and subsequent measurement

##### 3.6.2.1 Financial assets

An entity shall classify financial assets as at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both:

- (a) the entity's business model for managing the financial assets; and
- (b) the contractual cash flow characteristics of the financial asset.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.6 Financial instruments (Continued)

#### 3.6.2 Classification and subsequent measurement (Continued)

##### 3.6.2.1 Financial assets (Continued)

###### Business models

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model for the financial assets is 'other'. The entity's assessment of the business model is performed on a financial asset portfolio basis, and determined on a reasonable expected scenario, taking into account: how to generate cash flows in the past, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and how managers of the business are compensated.

###### The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to identify whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

###### (1) Financial assets at amortised cost

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.6 Financial instruments (Continued)

#### 3.6.2 Classification and subsequent measurement (Continued)

##### 3.6.2.1 Financial assets (Continued)

The contractual cash flow characteristics (Continued)

(1) Financial assets at amortised cost (Continued)

Such financial assets that the Group hold mainly include loans and advances to customers, cash and due from banks and other financial institutions, Placements with and loans to banks and other financial institutions and debt securities, and are subsequently measured at amortised cost.

The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that the initial amount and the maturity amount and adjusted for any loss allowance.

(2) Financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group hold mainly include bills discounted and debt securities, and are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognised in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets and be recognised in profit or loss.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.6 Financial instruments (Continued)

#### 3.6.2 Classification and subsequent measurement (Continued)

##### 3.6.2.1 Financial assets (Continued)

The contractual cash flow characteristics (Continued)

(3) Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income, which includes financial assets held for trading, financial assets designated as at fair value through profit or loss and other financial assets at fair value through profit or loss in accordance with IFRS.

Such financial assets that the Group hold mainly include debt securities and fund investments, and are subsequently measured at fair value. A gain or loss on a financial asset that is measured at fair value shall be recognised in profit or loss unless it is part of a hedging relationship. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognised in the income statement.

(4) Equity instruments

The Group may, at initial recognition, irrevocably designate an equity instrument except trading equity instrument as financial asset measured at fair value through other comprehensive income when it meets the definition of equity instruments under IAS 32 *Financial Instruments: Presentation*. When the equity instrument is derecognised, the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from other comprehensive income to undistributed profits under equity. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognised in the income statement. Such equity instruments do not recognise impairment losses.

Only if the Group changes the business model for financial assets, the Group shall reclassify the affected financial assets. The reclassification shall be effective from the first day of the first reporting period after the change of its business model.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.6 Financial instruments (Continued)

#### 3.6.2 Classification and subsequent measurement (Continued)

##### 3.6.2.2 Financial liabilities

An entity shall classify all financial liabilities as subsequently measured at amortised cost, except for:

- (a) financial liabilities at fair value through profit or loss. Such liabilities, including financial liabilities held for trading and financial liabilities designated as at fair value through profit or loss.
- (b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
- (c) Financial guarantee contracts and loan commitments which rates are lower than market's.

Such financial liabilities measured at amortised cost that the Group hold mainly include due to customers, placements from banks and other financial institutions and bonds issued and are subsequently measured at amortised cost.

Such financial liabilities at fair value through profit or loss that the Group hold mainly include Interbank certificates of deposit issued and rental of precious metal and are subsequently measured at fair value. A gain or loss on a financial asset or financial liability that is measured at fair value shall be recognised in profit or loss unless:

- (a) it is part of a hedging relationship;
- (b) it is a financial liability designated as at fair value through profit or loss and the entity is required to present the effects of changes in the liability's credit risk in other comprehensive income; When the financial liability is derecognised the cumulative gain or loss previously recognised in other comprehensive income is reclassified from the other comprehensive income to undistributed profits under equity.

An entity shall not reclassify any financial liability.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.6 Financial instruments (Continued)

#### 3.6.2 Classification and subsequent measurement (Continued)

##### 3.6.2.3 Financial assets and financial liabilities held for trading

An entity shall classify financial assets or liabilities as financial assets or financial liabilities held for trading if one of the following conditions are met:

A financial asset or financial liability that:

- (a) is acquired or incurred principally for the purpose of selling or repurchasing in the near term; or
- (b) on initial recognition, is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- (c) is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

##### 3.6.2.4 Financial assets and financial liabilities designated as at fair value through profit or loss

An entity may, at initial recognition, irrevocably designate a financial instrument as measured at fair value through profit or loss when doing so results in more relevant information, because either:

- (a) it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as 'an accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- (b) a Group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Group is provided internally on that basis to the entity's key management personnel; or
- (c) if a contract contains one or more embedded derivatives unless the embedded derivative(s) do(es) not significantly modify the cash flows that otherwise would be required by the contract; or separation of the embedded derivative(s) is prohibited.

According to the above conditions, the financial assets and financial liabilities designated by the Group mainly include debt securities, due to and placements from banks and other financial institutions and bonds issued valued at fair value.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.6 Financial instruments (Continued)

#### 3.6.3 Financial guarantees and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies to secure customer loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised at fair value on the date the guarantees were given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement less amortisation calculated and the expenditure determined by the expected credit loss model that is required to settle any financial obligation arising at the financial reporting date, and any increase in the liability relating to guarantees is taken to the income statement.

Loan commitment is a commitment provided by the Group to the customers to grant loans under the established contract terms during certain period. The Group generally shall not commit to issuing loans with an interest rate lower than market or providing customers with a loan commitment to pay cash or to settle on a net basis through delivery or issuance of other financial instruments. The impairment losses on loan commitments are measured using the expected credit loss model. The Group discloses the impairment allowances for financial guarantee contracts and loan commitments in the contingent "Provision".

#### 3.6.4 Determination of fair value

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair values of quoted financial assets and financial liabilities in active markets are based on current bid prices and ask prices, as appropriate. If there is no active market, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and option pricing models, and other valuation techniques commonly used by market participants.

The Group uses the valuation techniques commonly used by market participants to price financial instruments and techniques which have been demonstrated to provide reliable estimates of prices obtained in actual market transactions. The Group makes use of all factors that market participants would consider in setting a price, and incorporates these into its chosen valuation techniques and tests for validity using prices from any observable current market transactions in the same instruments.

# Notes to the Consolidated Financial Statements

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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.6 Financial instruments (Continued)

#### 3.6.5 De-recognition of financial instruments

Financial assets are de-recognised when the rights to receive cash flows from the investments have expired, or when the Group has transferred substantially all risks and rewards of ownership, or when the Group neither transfers nor retains substantially all risks or rewards of ownership of the financial asset but has not retained control of the financial asset.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in equity through other comprehensive income is recognised in the income statement.

Financial liabilities are de-recognised when they are extinguished — that is, when the obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability de-recognised and the consideration paid is recognised in the income statement.

#### 3.6.6 Impairment measurement for losses on assets

On the financial reporting date, the Group evaluates and confirms the relevant impairment provisions for financial assets measured at amortised cost, measured at fair value with changes taken to other comprehensive income, and loan commitments and financial guarantee contracts on the basis of anticipated credit losses. See Note 53.1 for specific information.

#### 3.6.7 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, the Group has a legally enforceable right to offset such amounts with the same counterparty and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### 3.7 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow analysis and option pricing models, as appropriate. The Group adjusts to credit risk of over-the-counter derivatives to reflect credit risk of counterparties and the Group itself. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

# Notes to the Consolidated Financial Statements

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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.8 Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the hybrid (combined) instrument vary in a way similar to a stand-alone derivative.

If a hybrid contract contains a host that is an asset within the scope of this Standard, the Group applies the requirements of classification and measurement to the entire hybrid contract. If a hybrid contract contains a host that is not an asset within the scope of this Standard, the Group separates embedded derivatives from the host contract and accounts for these as derivatives, if, and only if:

- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid (combined) instrument is not measured at fair value with changes in fair value recognised in the income statement.

These embedded derivatives separated from the host contract are measured at fair value with changes in fair value recognised in the income statement.

The Group will regard entire hybrid instrument which cannot be separately measured initially, or subsequently as financial assets or financial liabilities recognized at fair value in profit or loss.

### 3.9 Precious metals and precious metals swaps

Precious metals comprise gold, silver and other precious metals. The Group retains all risks and rewards of ownership related to precious metals deposited with the Group as precious metals deposits, including the right to freely pledge or transfer, and it records the precious metals received as an asset. A liability to return the amount of precious metals deposited is also recognised. Precious metals that are not related to the Group's precious metal market making and trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realisable value. Precious metals that are related to the Group's market making and trading activities are initially recognised at fair value and subsequent changes in fair value included in "Net trading gains" are recognised in the income statement.

Consistent with the substance of the transaction, if the precious metal swaps are for financing purposes, they are accounted for as precious metals subject to collateral agreements. Precious metals collateralised are not de-recognised and the related counterparty liability is recorded in "Placements from banks and other financial institutions". If precious metal swaps are for trading purposes, they are accounted for as derivative transactions.

# Notes to the Consolidated Financial Statements

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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.10 Repurchase and reverse repurchase transactions

Repurchase financial assets refer to the funds leased out from the financial assets which are purchased by the Group under agreements and sold at a fixed price. Reverse repurchase financial assets refer to the funds arise from the financial assets which are sold by the Group under agreements and repurchased at a fixed price. The actual payments or cash received in repurchase and reverse repurchase transactions are recognized in consolidated statement of financial position. The target assets purchased in repurchase transactions are not recognized; the target assets sold in reverse repurchase transactions are recognized in consolidated statement of financial position.

The difference between purchase and sale price is recognised as “Interest expense” or “Interest income” in the income statement over the life of the agreements using the effective interest method.

### 3.11 Property, plant and equipment

Fixed assets refer to the tangible assets held by the Group for business management and whose useful life exceeds one fiscal year. Construction in progress refers to the houses, buildings, machinery and equipment that are under construction or being installed, and when they are ready for their intended use, they are transferred to the corresponding fixed assets.

#### (a) *Cost of fixed assets*

Fixed assets are initially recognized at cost. The cost of purchased fixed assets includes the purchase price, related taxes and fees, and the costs attributable to the asset before the asset is ready for its intended use. The cost of self-constructed fixed assets consists of the necessary expenses incurred before the construction of the asset reaches its intended usable condition.

Subsequent expenses for fixed assets, including expenses related to the replacement of a component of fixed assets, are included in the cost of fixed assets when the conditions for recognition of fixed assets are met; at the same time, the carrying amount of the replaced portion is deducted. Expenditure related to the routine maintenance of fixed assets is recognized in profit or loss when incurred.

#### (b) *Depreciation and impairment of fixed assets*

The Group's amount of the original asset's estimated net residual value (if any) is depreciated on the straight-line method over the estimated useful lives of the assets and is recognized in profit or loss. For fixed assets that have been withdrawn for impairment, the accumulated amount of provision for impairment of fixed assets is deducted when depreciation is provided. Construction in progress is not depreciated.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.11 Property, plant and equipment (Continued)

#### (b) Depreciation and impairment of fixed assets (Continued)

The estimated useful lives, depreciation rates and estimated residual value rate of fixed assets are as follows:

	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings	20 years	3%	4.85%
Motor vehicles	5 years	3%	19.40%
Equipment	3-10 years	3%	9.70%-32.33%

The residual values and useful lives of assets are reviewed at least annually.

The impairment of the Group's fixed assets is treated in accordance with the accounting policy in Note 3.14.

#### (c) Disposal of fixed assets

The gain or loss arising from the retirement or disposal of the fixed assets is the difference between the net disposal proceeds and the carrying amount of the assets and is recognized in profit or loss on the date of retirement or disposal.

#### (d) Construction in progress

The cost of construction in progress is determined based on actual project expenditure, including all necessary engineering expenses incurred during construction and other related expenses.

Construction in progress is transferred to fixed assets when it is ready for its intended use.

### 3.12 Intangible assets

Intangible assets mainly include computer software, which is initially recognized at cost. The Group's amount of the intangible asset's estimated net residual value (if any) is amortised on the straight-line method and recognised in profit or loss. When it is amortised, the intangible assets that have been withdrawn for impairment are deducted from the accumulated amount of impairment provision.

The impairment of the Group's intangible assets is treated as described in Note 3.14.

### 3.13 Repossessed assets

Repossessed assets are initially recognised at fair value plus related costs when they are obtained as the compensation for the loans, advances and interest receivable. When there are indicators that the recoverable amount is lower than carrying amount, the carrying amount is written down immediately to its recoverable amount.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.14 Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that an asset may be impaired. The recoverable amount is estimated for assets with signs of impairment. If there are indications that an asset is impaired, but it is difficult to estimate the recoverable amount of the individual asset, the Group will assess the recoverable amount based on cash-generating unit that the asset belongs to. The cash-generating unit is the smallest portfolio of assets that the Group can identify, and the cash flow generated is essentially independent of other assets or portfolios of assets.

The recoverable amount refers to the higher value between the fair value of the assets (or cash-generating units, cash-generating unit groups) minus the disposal expenses and the present value of the estimated future cash flows of the assets. When estimating the present value of future cash flows of the assets, the Group considers factors such as the estimated future cash flows, useful life spans and discount rates.

### 3.15 Employee benefits

Employee benefits refer to the various forms of remuneration and other relevant payments given to employees due to the services they provide. The Group recognizes the wages payable in operation and management fees during the employees provide service.

#### (a) *Defined contribution plans and defined benefit plans*

In accordance with the policies of relevant state and local governments, employees in Mainland China participate in various defined contribution retirement schemes administered by local labour and social security bureaus. Operations in Chinese mainland contribute to pension and insurance schemes administered by the local pension and insurance agencies using applicable contribution rates stipulated in the relevant local regulations. Above pension and insurance expenses are recognized in current profits and losses in accordance with accrual basis principle. Upon retirement, the local labour and social security bureaus are responsible for the payment of the basic retirement benefits to the retired employees.

In addition to these basic staff pension schemes, employees in Mainland China who retired can also voluntarily participate in a defined contribution plan established by the Bank ("the Annuity Plan"). The Bank contributes to the Annuity Plan based on certain percentages of the employees' gross salaries.

#### (b) *Housing funds and other social insurance expenses*

The Group pays housing funds, basic medical insurances, unemployment insurances, employment injury insurances and maternity insurance etc. for in-service employees pursuant to relevant laws, regulations and policies. The Group pays housing funds and above social insurance expense monthly based on a certain proportion of payment basis to relevant departments and recognizes them in current profits and losses in accordance with accrual basis principle.

The Group participates social security schemes established by government, such as medical insurances, housing funds and other social security schemes. The Group has also participated medical insurance schemes issued by commercial insurance companies since October 2012.

# Notes to the Consolidated Financial Statements

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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.15 Employee benefits (Continued)

#### (c) *Early retirement benefits*

Early retirement benefits have been paid to those employees who accept voluntary retirement before the normal retirement date, as approved by management. The related benefit payments are made from the date of early retirement to the normal retirement date. The differences arise from changes in evaluation assumptions and adjustments to benefits standards are recognized in current profits and losses when they occur.

### 3.16 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The amount initially recognised as a provision should be the best estimate of the expenditure required to settle the present obligation.

### 3.17 Contingent liabilities

A contingent liability is a possible obligation that arises from past transactions or events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required, or the amount of obligation cannot be measured reliably.

### 3.18 Fiduciary activities

The asset custody services of the Group refer to the service that the Group signs custody agreements with clients such as commercial banks, securities companies, fund companies, insurance companies, and annuity plans, etc. and manage assets for clients as trustee. Since the group gets paid in return of its job as stated by the fiduciary agreement but is not involved with the risk and revenue resulted by the management of the asset being custodied, fiduciary activities of the Group is treated as an off-balance-sheet item. The entrusted loans services refer to the service that the Group signs entrusted loans agreements with clients, and the clients provide fund ("entrusted loans fund") to the Group, and the Group issues loans ("entrusted loans") to the third parties according to the instructions of clients. The assets under custody are recorded as off-balance sheet items as the Group merely fulfils the responsibility as trustee and charges fees in accordance with these agreements without retaining any risks or rewards of the assets under custody.

### 3.19 Dividends

Dividends are recognized as a liability and deducted from equity when they are approved by the Bank's shareholders in general meetings and declared. Interim dividends are deducted from equity when they are approved and declared, and no longer at the discretion of the Bank. Dividend for the year that is approved after the end of the reporting period is disclosed as an event after the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.20 Interest income and expense

The "interest income" and "interest expense" in the Group's income statement are the interest income and expense from financial assets using the effective interest rate method at amortised cost, financial assets at fair value with changes recognised through other comprehensive income and financial liabilities at amortised cost.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all amounts paid or received by the Group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

For the financial assets acquired or originated with credit impairment, the Group calculates the interest income according to the amortized cost of the financial assets and the effective interest rate after credit adjustment since the initial recognition by the Group. The effective interest rate after credit adjustment refers to the estimated future cash flows of the acquired or originated financial assets with credit impairment in the expected duration, which is converted into the interest rate of amortized cost of the financial assets.

For the financial assets acquired or originated without any credit impairment, but incurred credit impairment in the subsequent period, the Group calculates the interest income in accordance with the amortized cost and the effect interest rate of the financial assets.

### 3.21 Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. For those services that are provided over a period of time, fee and commission income are accrued in accordance with the actual progress. For other services, fee and commission income are recognised when the transactions are completed.

### 3.22 Current and deferred income tax

Income taxes comprise current income tax and deferred income tax. Tax is recognised in the current income statement as income expense or revenue except to the extent that it relates to transactions or items directly recognised in equity. In these cases, tax is also directly recognised in equity.

Current income tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the financial reporting date, and any adjustment to tax payable in respect of previous years.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.22 Current and deferred income tax (Continued)

Deferred income tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the financial reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

The principal temporary differences arise from asset impairment allowances, revaluation of certain financial assets and financial liabilities including derivative contracts, revaluation of investment properties, depreciation of Property, plant and equipment, provisions for pension, retirement benefits and salary payables.

“Deferred income tax assets” are recognised to the extent that it is probable that future taxable profit will be available against which deductible temporary differences can be utilised except the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

For deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, a deferred tax asset is recognised to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Deferred tax liabilities shall be recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of goodwill, or the initial recognition of an asset or liability in a transaction which is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit/(tax loss).

Deferred income tax liabilities on taxable temporary differences arising from investment in subsidiaries, associates and joint ventures are recognised, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carrying forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

### 3.23 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In order to determine whether the contract transfers the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to receive almost all of the economic benefits arising from the use of the identified assets and have the right to dominate the use of identified assets during the period of use.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.23 Leases (Continued)

#### 3.23.1 Recognition of individual leases

At inception of a contract, the Group assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group reassess whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

#### 3.23.2 Spin-off of leased and non-leased parts

For a contract that is, or contains, a lease, the Group account for each lease component within the contract as a lease separately from non-lease components of the contract.

#### 3.23.3 Evaluation of lease term

The lease term is the period during which the Group is entitled to use the leased asset and the right is irrevocable. If the Group has the option to renew the lease, that is, it has the right to choose to extend the lease and it is reasonably determined that the option will be exercised, the lease term includes the period covered by the renewal option. If the Group has the option to terminate the lease, that is, has the right to choose to terminate the lease of the asset, but it is reasonably expected that the option will not be exercised, the lease period does not exclude the period covered by the termination lease option. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

#### 3.23.4 Group as a lessee

##### 3.23.4.1 Right-of-use assets

The Group's right-of-use assets consist of buildings and vehicles.

Right-of-use assets are recognised at the commencement date of the lease. right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.23 Leases (Continued)

#### 3.23.4 Group as a lessee (Continued)

##### 3.23.4.2 Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term, except short-term leases and leases of low-value assets. In calculating the present value of lease payments, the Group uses internal interest rate, or incremental borrowing rate when internal interest rate is not obtainable. The Group uses fixed interest rate to calculate interest expense on lease liabilities and recognises profit or loss. Variable lease payments, not included in lease liabilities, are recognized as profit or loss when made.

After the commencement date, the carrying amount of lease liabilities is remeasured if there is a change in lease payments, estimated payable amounts of guarantee residual value, discount rate, or situations that influence the Group's decision whether to exercise purchase options, extension options, or termination options.

##### 3.23.4.3 Changes in leases

Changes in lease are the changes in the lease scope, lease consideration, and lease duration. Lease changes include the addition or termination of the right to use one or more leased assets, and the extension or shortening of the lease term in the contract.

When the following conditions are met, the Group regards the change as a separate lease change in the process of accounting treatment.

- 1) The lease change expands the scope of the lease by adding the right to use one or more leased assets;
- 2) The increase in consideration is equivalent to the price of the additional part of the lease scope.

If the lease change is not regarded as a separate change, on the effective date of the lease change, the Group re-determines the lease term and calculates the present value of the lease payment to remeasure the lease liability. In the process of calculating the present value of lease payments after the change, the Group refers to the interest rate implicit in lease in the remaining lease period as the discount rate. If the leased interest rate is not available, the Group adopts incremental borrowing rate to calculate the present value of lease payment. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.23 Leases (Continued)

#### 3.23.4 Group as a lessee (Continued)

##### 3.23.4.3 Changes in leases (Continued)

Based on the above lease adjustment, the Group distinguishes the following situations for accounting treatment.

- 1) If the lease change leads to a short lease term or small lease scope, the Group reduces the book value of right-of-use assets to represent the partial or complete termination of lease. The relevant gain or loss of termination are included in current profits and losses.
- 2) In terms of other lease changes, the Group adjusts the book value of the right-of-use asset accordingly.

##### 3.23.4.4 Short-term leases and leases of low-value assets

The Group recognises leases without purchase options that do not exceed 12 months as short-term leases; Leases are regarded as low-value asset leases if the cost of a single leased asset does not exceed RMB30,000. In each period of the lease term, the relevant asset costs or expenses are calculated in accordance with the straight-line method, and the contingent rent is included in the current profit or loss when it actually occurs.

#### 3.23.5 Group as a lessor

A lease that essentially transfers almost all the risks and returns associated with the ownership of the leased asset on the start date of the lease is a finance lease. All other leases are operating leases.

##### 3.23.5.1 As a lessor of financial leases

Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the income statement due to its operating nature. Variable lease payments that are not included in lease receivables are recorded in the profit or loss for the period when they actually occur.

### 3.24 Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

Or



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For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 3.24 Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or an associate or joint venture of fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate venture of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
  - (viii) the legal person or other organization which is directly, indirectly or jointly controlled by the board of director, senior management of the Group and their closely related family members, or in which the person identified above is in charge of board of directors or senior management.

### 3.25 Segment reporting

The Group determines the operating divisions based on the internal organizational structure, management requirements and internal reporting system, and determines the reporting divisions based on the operating divisions and discloses the information of the divisions.

The operating divisions are components in the Group where all of the following conditions apply:

- (1) the division generates income and expense in daily activities;
- (2) the management of the Group decides the resources allocation to the division and assessment of division's performance by regularly evaluating the operating performance;
- (3) the Group has access to relevant accounting information such as financial situation, operating performance, cash flow, etc.;

Two or more operating divisions are able to aggregated if they have similar economic characteristics and satisfy certain conditions.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies, management has used its judgements and made assumptions of the effects of uncertain future events on the financial statements. The most significant use of judgements and key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are described below.

### **Impairment loss on financial assets**

The Group measures the impairment losses on all financial assets in accordance with IFRS 9 including many estimates and judgments in the process, especially in determining the amount of impairment losses, estimating future contractual cash flows, the value of collateral and judging the significant increase in credit risk. The Group is affected by various factors in the measurement of impairment, which will result in different levels of impairment provision.

The Group's expected credit loss calculation is the result of model output, which contains many model assumptions and parameter inputs.

The accounting judgments and estimates used in the expected credit loss model include:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters for measuring ECLs
- Forward-looking information
- Modification of contractual cash flows

### **Impairment of non-financial assets (Except goodwill)**

The Group judges whether there are indications of impairment of non-financial-and-non-current assets at balance sheet date. Besides annual impairment tests, additional impairment tests will be carried out for intangible assets with indefinite operational life spans where exist indications of impairments. Other non-current assets are tested for impairment when there is an indication that the carrying amounts are not recoverable. When estimating the present value of future cash flows, management must estimate the future cash flows of the asset or asset group and select an appropriate discount rate to determine the present value of future cash flows.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### **Business combinations and goodwill**

The identifiable assets, liabilities and contingent liabilities of the acquiree obtained in the business combination not under the same control are measured at fair value on the combination date. The combination date refers to the date on which the acquirer obtains control of the acquiree's business. The fair value of the acquired assets, the liabilities to be undertaken, the consideration for merger and acquisition, and the estimation should be used when allocating the consideration for merger and acquisition of identifiable assets and liabilities. The fair value of the acquired identifiable assets and liabilities is determined by valuation techniques (including discounted cash flow model). The data used in the model is obtained from the observable market when possible, and judgement and estimation are required to determine the fair value only when it is not feasible. The group shall estimate the future cash flow and discount rate to calculate the fair value.

### **Impairment of goodwill**

The group tests goodwill for impairment at least annually. This requires that the present value of the future cash flow of the asset group or combination of asset groups to which goodwill is allocated be estimated. When predicting the present value of future cash flow, the group needs to predict the cash flow generated by the future asset group or combination of asset groups, and select the appropriate discount rate to determine the present value of future cash flow. See Note 29 for details.

### **Fair value of derivatives and other financial instruments**

The Group establishes the fair value of financial instruments with reference to a quoted market price in an active market or, if there is no active market, using valuation techniques. These valuation techniques include the use of recent arm's length transactions, observable prices for similar instruments, discounted cash flow analysis using risk-adjusted interest rates, and commonly used market pricing models. Whenever possible, these models use observable market inputs and data including, for example, interest rate yield curves, foreign exchange rates and option volatilities. The results of using valuation techniques are calibrated against industry practice and observable current market transactions in the same or similar instruments.

The Group assesses assumptions and estimates used in valuation techniques including review of valuation model assumptions and characteristics, changes to model assumptions, the quality of market data, whether markets are active or inactive, other fair value adjustments not specifically captured by models and consistency of application of techniques between reporting periods as part of its normal review and approval processes. Valuation techniques are validated and periodically reviewed and, where appropriate, have been updated to reflect market conditions at the financial reporting date.

With respect to the PRC government obligations related to large-scale policy directed financing transactions, fair value is determined using the stated terms of the related instrument and with reference to terms in similar transactions in which the PRC government engages or which are directed by the PRC government. In this regard, there are no other relevant market prices or yields reflecting arm's length transactions of a comparable size and tenor.

# Notes to the Consolidated Financial Statements

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## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### Early retirement benefit obligations

The Bank has established liabilities in connection with benefits payable to early retired employees. These amounts of employee benefit expense and these liabilities are dependent on assumptions used in calculating such amounts. These assumptions include discount rates, inflation rates, and other factors. Actual results that differ from the assumptions are recognized immediately and, therefore, affect recognized expense in the year in which the differences arise. While management believes that its assumptions are appropriate, differences in actual experience or changes in assumptions may affect the Bank's expense related to its employee early retirement benefit obligations.

### Income tax

Determining income tax provisions requires the Group to estimate the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly. In addition, deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. This requires significant estimation on the tax treatments of certain transactions and also significant assessment on the probability that whether adequate future taxable profits will be available for the deferred income tax assets to be recovered.

### Provisions

The Group uses judgement to assess whether the Group has a present legal or constructive obligation as a result of past events at each financial reporting date, and judgement is used to determine if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and to determine a reliable estimate of the amount of the obligation and relevant disclosure in the consolidated financial statements.

### Business model

The classification of financial assets at the time of initial recognition depends on the business model of the group in managing financial assets. When judging the business model, the group considers the ways of enterprise evaluation and reporting the performance of financial assets to key management personnel, the risks affecting the performance of financial assets and their management methods, as well as the ways of relevant business management personnel getting remuneration, etc. When evaluating whether the target is to collect the contract cash flow, the group needs to analyze and judge the reason, time, frequency and value of the sale of financial assets before the maturity date.

### Characteristics of the contractual cash flow

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of principal and interest based on outstanding principal, including the correction of time value of money, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow. For financial assets with prepayment characteristics, it is necessary to judge whether the fair value of prepayment characteristics is very small.

# Notes to the Consolidated Financial Statements

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## 4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

### Judgement in assessing control over structured entities

The Group is involved with structured entities in its normal business course, and the Group determines whether or not to consolidate those structured entities depending on whether the Group has control over them. When assessing control over structured entities, the Group takes account of power arising from rights it directly owns or indirectly owns through subsidiaries (including controlled structured entities), variable returns, and link between power and returns.

The variable returns the Group is exposed to from its involvement with structured entities include decision makers' remuneration (such as management fees and performance-related fees), as well as other benefits (such as direct investment income, remuneration and exposure to loss from providing credit enhancement or liquidity support, and variable returns from transactions with structured entities). When assessing whether it controls a structured entity, the Group not only considers applicable legal or regulatory requirements and contractual agreements, but also other circumstances where the Group may have obligation to absorb any loss of the structured entity.

The Group reassesses whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the relevant elements of control.

## 5. TAXATION

The principal income and other taxes to which the Group is subject are listed below:

Taxes	Tax basis	Statutory rates
Corporate income tax	Taxable income	25%
Value-added tax	Taxable added value (tax payable is calculated by multiplying taxable sales revenue with applicable tax rate, then deducting input tax that can be credited of this period)	3%、5%、6%、9%、13%
City construction and maintenance tax	VAT payable	5%, 7%
Education surcharges	VAT payable	3%

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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### 6 THE BANK'S STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY

	As at 31 December 2020	As at 31 December 2019
<b>Assets</b>		
Cash and balances with central bank	98,000,942	91,561,272
Deposits with banks and other financial institutions	7,420,981	10,657,970
Precious Metals	2,396,872	–
Placements with banks and other financial institutions	9,629,279	6,469,648
Derivative financial assets	137,998	235,406
Financial assets held under resale agreements	249,376	28,651,227
Loans and advances to customers	550,439,715	448,006,168
Financial Investments		
– Financial assets at fair value through profit or loss	122,616,638	95,225,453
– Financial assets at fair value through other comprehensive income	120,421,957	103,176,393
– Financial assets at amortised cost	266,910,064	278,852,511
Investments in subsidiaries	3,809,133	1,809,133
Investments in associates	4,474,260	1,242,338
Property, plant and equipment	4,538,219	2,018,990
Right-of-use assets	1,143,513	1,051,405
Deferred tax assets	9,132,601	7,655,355
Goodwill	14,567,826	–
Other assets	6,294,523	7,545,675
<b>Total assets</b>	<b>1,222,183,897</b>	<b>1,084,158,944</b>
<b>Liabilities</b>		
Borrowings from central bank	69,463,123	40,658,530
Deposits from banks and other financial institutions	95,356,670	111,445,482
Placements from banks and other financial institutions	2,002,166	2,642,868
Derivative financial liabilities	140,781	281,329
Financial assets sold under repurchase agreements	40,399,371	50,364,962
Deposits from customers	722,366,381	599,699,128
Taxes payable	2,461,763	3,045,070
Debt securities issued	178,585,042	183,242,708
Other liabilities	9,608,141	6,388,240
<b>Total liabilities</b>	<b>1,120,383,438</b>	<b>997,768,317</b>
<b>Equity</b>		
Share capital	13,889,801	12,154,801
Other equity instruments	15,989,901	15,989,901
Capital reserve	14,909,793	6,751,041
Surplus reserve	13,234,045	11,365,283
General reserve	11,877,308	10,791,391
Other comprehensive Income	949,630	1,825,127
Retained earnings	30,949,981	27,513,083
<b>Total equity</b>	<b>101,800,459</b>	<b>86,390,627</b>
<b>Total equity and liabilities</b>	<b>1,222,183,897</b>	<b>1,084,158,944</b>

Wu Xuemin

Chairman

Zhang Renfu

President

Li Dawei

Financial Controller

Fang Lixin

Head of Finance Department

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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### 6 THE BANK'S STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	Other equity instruments	Capital reserve	Surplus reserve	General reserve	Other comprehensive income	Retained earnings	Total equity
<b>As at 1 January 2020</b>	<b>12,154,801</b>	<b>15,989,901</b>	<b>6,751,041</b>	<b>11,365,283</b>	<b>10,791,391</b>	<b>1,825,127</b>	<b>27,513,083</b>	<b>86,390,627</b>
<b>(1) Comprehensive income</b>								
Profit for the year	-	-	-	-	-	-	9,147,482	9,147,482
Other comprehensive income, net of tax	-	-	-	-	-	(615,476)	-	(615,476)
Asset impairment through other comprehensive income	-	-	-	-	-	(260,021)	-	(260,021)
<b>Total comprehensive income for the year</b>						<b>(875,497)</b>	<b>9,147,482</b>	<b>8,271,985</b>
<b>(2) Profit distribution</b>								
Dividends	-	-	-	-	-	-	(2,755,905)	(2,755,905)
Additional capital stock	1,735,000	-	8,158,752	-	-	-	-	9,893,752
Perpetual bonds issued	-	-	-	-	-	-	-	-
Appropriation to surplus reserve	-	-	-	1,868,762	-	-	(1,868,762)	-
Appropriation to general reserve	-	-	-	-	1,085,917	-	(1,085,917)	-
<b>As at 31 December 2020</b>	<b>13,889,801</b>	<b>15,989,901</b>	<b>14,909,793</b>	<b>13,234,045</b>	<b>11,877,308</b>	<b>949,630</b>	<b>30,949,981</b>	<b>101,800,459</b>
<b>As at 1 January 2019</b>	<b>12,154,801</b>	<b>5,990,090</b>	<b>6,751,041</b>	<b>9,553,466</b>	<b>8,881,346</b>	<b>1,587,076</b>	<b>22,754,979</b>	<b>67,672,799</b>
<b>(1) Comprehensive income</b>								
Profit for the year	-	-	-	-	-	-	9,540,136	9,540,136
Other comprehensive income, net of tax	-	-	-	-	-	307,909	-	307,909
Asset impairment through other comprehensive income	-	-	-	-	-	(69,858)	-	(69,858)
<b>Total comprehensive income for the year</b>						<b>238,051</b>	<b>9,540,136</b>	<b>9,778,187</b>
<b>(2) Profit distribution</b>								
Dividends	-	-	-	-	-	-	(1,060,170)	(1,060,170)
Perpetual bonds issued	-	9,999,811	-	-	-	-	-	9,999,811
Appropriation to surplus reserve	-	-	-	1,811,817	-	-	(1,811,817)	-
Appropriation to general reserve	-	-	-	-	1,910,045	-	(1,910,045)	-
<b>As at 31 December 2019</b>	<b>12,154,801</b>	<b>15,989,901</b>	<b>6,751,041</b>	<b>11,365,283</b>	<b>10,791,391</b>	<b>1,825,127</b>	<b>27,513,083</b>	<b>86,390,627</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

### 7 NET INTEREST INCOME

	2020	2019
<b>Interest income</b>		
Balances with central bank	1,065,241	1,068,235
Deposits and placements with banks and other financial institutions	832,922	1,096,054
Loans and advances to customers	27,815,767	23,113,481
Investment securities	18,388,771	20,515,680
Finance lease	3,207,258	2,650,078
Subtotal	51,309,959	48,443,528
Unwinding of discount on allowance	63,502	41,157
<b>Interest expense</b>		
Borrowings from central bank <sup>(a)</sup>	(1,444,865)	(916,205)
Deposits and placements from banks and other financial institutions	(5,327,301)	(6,793,645)
Deposits from customers	(13,248,951)	(10,593,187)
Debt securities issued	(5,536,641)	(4,799,737)
Subtotal	(25,557,758)	(23,102,774)
<b>Net interest income</b>	<b>25,752,201</b>	<b>25,340,754</b>

(a) Borrowings from the central bank include general borrowings from the PBOC, rediscounted bills held under repurchase agreements, closed anti-repo and lending facilities with the PBOC.

### 8 NET FEE AND COMMISSION INCOME

	2020	2019
<b>Fee and commission income</b>		
Settlement and clearing fees	85,011	82,445
Guarantee and commitment fees	243,174	276,668
Investment banking fees	659,778	732,277
Custody fees	584,534	504,213
Bank card fees	94,577	153,175
Acquiring business fees	23,906	19,896
Agency commissions	1,472,975	1,371,053
Finance lease fees	649,624	590,817
Others	149,444	131,667
Subtotal	3,963,023	3,862,211
<b>Fee and commission expense</b>	<b>(346,478)</b>	<b>(312,998)</b>
<b>Net fee and commission income</b>	<b>3,616,545</b>	<b>3,549,213</b>



## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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### 9 NET TRADING GAINS/(LOSSES)

	2020	2019
Net (losses)/gains from foreign exchange	<b>(245,771)</b>	122,268
Net gain from interest rate instruments	<b>2,732,674</b>	1,977,585
Net gain from goods traded	<b>9,633</b>	-
Total	<b>2,496,536</b>	2,099,853

Net gains/(losses) from financial investments mainly include gains arising from fair value changes of financial assets and liabilities at fair value through profit or loss.

### 10 NET GAINS/(LOSSES) ON FINANCIAL INVESTMENTS

	2020	2019
Net losses from financial assets at fair value through profit or loss	<b>(127,043)</b>	(56,743)
Net gains from financial assets at fair value through other comprehensive income	<b>278,167</b>	134,312
Net gains from financial assets at amortised cost	<b>2,608</b>	3,279
Other	<b>15,367</b>	4,483
Total	<b>169,099</b>	85,331

All the net gains recognised from the derecognition of financial assets measured at amortised cost are resulted from trading for the year ended 31 December 2020.

### 11 OTHER OPERATING INCOME, NET

	2020	2019
Net losses on bills	<b>93,978</b>	6,067
Others	<b>160,599</b>	76,900
Total	<b>245,577</b>	82,967

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

### 12 OPERATING EXPENSES

	2020	2019
Staff cost (Note 13)	<b>(4,205,569)</b>	(4,155,177)
Business tax and surcharges	<b>(325,498)</b>	(273,089)
General operating and administrative expenses	<b>(1,952,050)</b>	(1,789,126)
Operating lease rental expenses	<b>(74,696)</b>	(55,689)
Depreciation of property, plant and equipment (Note 26)	<b>(311,466)</b>	(288,298)
Depreciation for right-of-use assets (Note 27)	<b>(318,845)</b>	(275,082)
Amortization expenses for long-term prepaid expenses	<b>(97,121)</b>	(100,577)
Amortization expenses for intangible assets (Note 30(c))	<b>(114,882)</b>	(66,704)
Auditors' remuneration	<b>(10,305)</b>	(7,330)
– Audit services	<b>(5,150)</b>	(3,600)
– Non-audit services	<b>(5,155)</b>	(3,730)
Others	<b>(243,892)</b>	(80,703)
Subtotal	<b>(7,654,324)</b>	(7,091,775)

## Notes to the Consolidated Financial Statements

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### 13 STAFF COST

	2020	2019
Salaries, bonuses, allowances and subsidies	<b>(3,178,831)</b>	(2,953,087)
Pension costs	<b>(280,917)</b>	(481,725)
Labor union fee and staff education fee	<b>(91,768)</b>	(97,133)
Other social insurance and welfare costs	<b>(654,053)</b>	(623,232)
Subtotal	<b>(4,205,569)</b>	(4,155,177)

#### Five highest paid individuals

The five highest paid individuals of the Group are members of the Bank, who are not the directors or supervisors listed in Note 14(a). Their emoluments are determined by and referred to current market level in the region where the Bank is located. Details of the five highest paid individuals' emoluments are listed below:

	2020	2019
Salaries, allowances and benefits	<b>6,800</b>	4,971
Contribution to pension schemes	<b>265</b>	301
Discretionary bonuses	<b>6,096</b>	7,657
	<b>13,161</b>	12,929

	2020	2019
RMB0 – RMB1,000,000	–	–
RMB1,000,001 – RMB1,500,000	–	–
RMB1,500,001 – RMB2,000,000	–	–
RMB2,000,001 – RMB2,500,000	<b>3</b>	3
RMB2,500,001 – RMB3,000,000	<b>1</b>	1
RMB3,000,001 – RMB3,500,000	<b>1</b>	1
	<b>5</b>	5

No emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## Notes to the Consolidated Financial Statements

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### 14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS

(a) Details of the directors' and supervisors' emoluments are as follows:

Name	2020					Total
	Fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Other	
<b>Executive Directors</b>						
Wu Xuemin <sup>(1) (*)</sup>	-	561	143	-	-	704
Zhang Renfu <sup>(2)(7) (*)</sup>	-	561	143	-	-	704
<b>Non-executive Directors</b>						
Yan Chen <sup>(4)</sup>	-	-	-	-	-	-
Gao Yang	-	-	-	-	-	-
Zhao Zongren	-	-	-	-	-	-
Zhou Yana <sup>(6)</sup>	240	-	-	-	-	240
Zhu Yicun <sup>(7)</sup>	-	-	-	-	-	-
Wu Tian <sup>(7)</sup>	-	-	-	-	-	-
Qian Dongsheng <sup>(7)</sup>	-	-	-	-	-	-
Wang Wenjin <sup>(7)</sup>	-	-	-	-	-	-
Dai Peikun <sup>(7)</sup>	-	-	-	-	-	-
Yin Jianfeng <sup>(7)</sup>	240	-	-	-	-	240
Huang Aiming <sup>(7)</sup>	240	-	-	-	-	240
Liu Zhiqiang <sup>(7)</sup>	180	-	-	-	-	180
<b>Supervisors</b>						
Tang Chuan <sup>(13) (*)</sup>	-	1,771	123	-	18	1,912
Zhong Qiushi <sup>(14)</sup>	-	1,342	100	105	18	1,565
Chen Rui <sup>(15)</sup>	-	-	-	-	-	-
Hu Jing <sup>(15)</sup>	-	-	-	-	-	-
Dong Xiaolin <sup>(15)</sup>	215	-	-	-	-	215
Zhai Shengbao	115	-	-	-	-	115
Zhou Zejiang	115	-	-	-	-	115
Li Ruifeng	-	-	-	-	-	-
Pan Shujuan	100	-	-	-	-	100
Yang Mianzhi	200	-	-	-	-	200
Zhang Youqi <sup>(12) (*)</sup>	-	143	79	-	-	222
He Jiehua <sup>(18)</sup>	-	514	122	-	-	636
Sun Zheng <sup>(18)</sup>	-	1,222	88	231	18	1,559
<b>Total</b>	<b>1,645</b>	<b>6,114</b>	<b>798</b>	<b>336</b>	<b>54</b>	<b>8,947</b>

(\*) The total compensation packages for executive directors and supervisors for the year ended 31 December 2020 including discretionary bonuses have not yet been finalised in accordance with the relevant regulations of the PRC authorities. The amount of the compensation not provided for is not expected to have any significant impact on the Group's 2020 financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows: (Continued)

Name	2019					Total
	Fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Other	
<b>Executive Directors</b>						
Wu Xuemin <sup>(1) (*)</sup>	–	443	143	85	–	671
Zhang Renfu <sup>(2)(7) (*)</sup>	–	443	143	80	–	666
Ci Yaping <sup>(3)(*)</sup>	–	222	122	68	–	412
He Jiehua <sup>(4)</sup>	–	290	70	–	–	360
<b>Non-executive Directors</b>						
Yan Chen <sup>(4)</sup>	–	–	–	–	–	–
Zhang Feifei <sup>(5)</sup>	–	–	–	–	–	–
Gao Yang	–	–	–	–	–	–
Zhu Jiusheng <sup>(5)</sup>	–	–	–	–	–	–
Zhao Zongren	–	–	–	–	–	–
Lu Hui <sup>(5)</sup>	–	–	–	–	–	–
Qiao Chuanfu <sup>(5)</sup>	–	–	–	–	–	–
Au Ngai, Daniel <sup>(5)</sup>	–	–	–	–	–	–
Dai Genyou <sup>(5)</sup>	–	–	–	–	–	–
Wang Shihao <sup>(5)</sup>	–	–	–	–	–	–
Zhang Shenghuai <sup>(5)</sup>	–	–	–	–	–	–
Fung Weiquan <sup>(5)</sup>	–	–	–	–	–	–
Zhu Hongjun <sup>(5)</sup>	–	–	–	–	–	–
Zhou Yana <sup>(6)</sup>	240	–	–	–	–	240
Zhu Yicun <sup>(7)</sup>	–	–	–	–	–	–
Wu Tian <sup>(7)</sup>	–	–	–	–	–	–
Qian Dongsheng <sup>(7)</sup>	–	–	–	–	–	–
Wang Wenjin <sup>(7)</sup>	–	–	–	–	–	–
Dai Peikun <sup>(7)</sup>	–	–	–	–	–	–
Yin Jianfeng <sup>(7)</sup>	240	–	–	–	–	240
Huang Aiming <sup>(7)</sup>	240	–	–	–	–	240
Liu Zhiqiang <sup>(7)</sup>	240	–	–	–	–	240
Hu Jun <sup>(7)(16)</sup>	180	–	–	–	–	180
Qian Li <sup>(17)</sup>	–	–	–	–	–	–

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

### 14 EMOLUMENTS OF DIRECTORS AND SUPERVISORS (CONTINUED)

(a) Details of the directors' and supervisors' emoluments are as follows: (Continued)

Name	2019					Total
	Fees	Salaries, allowances and benefits in kind	Contribution to pension schemes	Discretionary bonuses	Other	
<b>Supervisors</b>						
Xu Chongding <sup>(8)</sup>	–	–	–	–	–	–
Zhou Tong <sup>(9)</sup>	–	–	–	–	–	–
Cheng Rulin <sup>(10)</sup>	–	–	–	–	–	–
Cheng Junpei <sup>(11)</sup>	–	–	–	–	–	–
Li Ruifeng	–	–	–	–	–	–
Pan Shujuan	185	–	–	–	–	185
Yang Mianzhi	200	–	–	–	–	200
Zhang Youqi <sup>(12) (*)</sup>	–	443	143	67	–	653
Tang Chuan <sup>(13) (*)</sup>	–	1,180	117	650	20	1,967
Zhong Qiushi <sup>(14)</sup>	–	1,070	94	224	20	1,408
Chen Rui <sup>(15)</sup>	–	–	–	–	–	–
Hu Jing <sup>(15)</sup>	–	–	–	–	–	–
Dong Xiaolin <sup>(15)</sup>	200	–	–	–	–	200
<b>Total</b>	<b>1,725</b>	<b>4,091</b>	<b>832</b>	<b>1,174</b>	<b>40</b>	<b>7,862</b>

- (1) Wu Xuemin has been elected to be the chairman, an executive director, the chairman of the Development Strategy and Consumer Protection Committee and a member of Personnel Nomination and Remuneration Committee on 12 December 2017.
- (2) Zhang Renfu resigned as the chairman of the board of supervisors, a member of the nomination committee of the board of supervisors and a member of the supervisory committee of the board of supervisors and the employee supervisor in July 2018.
- (3) The Bank issued an announcement on 18 July 2019. Mr. Ci Yaping, the executive director of the Bank, retired due to his age. His resignation as the chairman of the Risk Management Committee has become effective on the date of announcement.
- (4) The Bank held the 2018 Annual General Meeting on 30 June 2019, Mr. He Jiehua and Mr. Yan Chen have been elected as directors of the fourth board of directors. According to the announcements on 8 August 2019 and 19 December 2019 issued by the Bank, qualifications of the two directors have been approved by the Anhui Banking and Insurance Regulatory Commission.
- (5) Zhang Feifei, Zhu Jiusheng, Lu Hui, Qiao Chuanfu, Au Ngai(Daniel), Dai Genyou, Wang Shihao, Zhang Shenghuai, Fung Weiquan and Zhu Hongjun ceased to be directors due to the change of the board of directors in December 2018.
- (6) Zhou Yana was elected to be an independent non-executive director effective from August 2018.

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## 14 EMOLUMENTS OF DIRECTORS, SUPERVISORS (CONTINUED)

### (a) Details of the directors' and supervisors' emoluments are as follows: (Continued)

- (7) Huishang Bank held an extraordinary general meeting on 28 November 2018. The proposals submitted by the meeting regarding the re-election of the board of directors and the election of members of the fourth board of directors have been passed. Zhang Renfu, Zhu Yicun, Wu Tian, Qian Dongsheng, Wang Wenjin, Dai Peikun, Yin Jianfeng, Huang Aiming, Liu Zhiqiang and Hu Jun were elected to be new directors of the fourth session of the board of directors.
- (8) Xu Chongding resigned as the employee supervisor and a member of the nomination committee of the board of supervisors on 15 June 2018.
- (9) Zhou Tong ceased to be the employee supervisor and a member of the nomination committee of the board of supervisors on 6 March 2018.
- (10) Cheng Rulin ceased to be shareholder supervisor due to the change of the board of supervisors in December 2018.
- (11) Cheng Junpei ceased to be the external supervisor due to the change of the board of supervisors in December 2018.
- (12) Zhang Youqi resigned as the vice president of the Bank on 25 July 2018 due to the Bank's internal job reallocation. The third Board of Supervisors of the Bank held the 37th meeting on 27 July 2018 and elected Zhang Youqi as the chairman of board of supervisors of the third board of supervisors. The fourth board supervisors held the first meeting on 13 December 2018 and elected Zhang Youqi as the chairman of the board of supervisors of the fourth board of supervisors.
- (13) Tang Chuan was elected to be the employee supervisor of the third board of supervisors on 6 March 2018 in accordance with the democratic election procedure of the Bank. This report only discloses the emolument of Tang Chuan as a supervisor.
- (14) Zhong Qiushi was elected to be the employee supervisor of the third board of supervisors on 15 June 2018 in accordance with the democratic election procedure of the Bank. This financial statements only discloses the emolument of Zhong Qiushi as a supervisor.
- (15) Huishang Bank held an extraordinary general meeting on 28 November 2018. The proposals submitted in the meeting regarding the re-election of the board of supervisors and the election of members of the fourth board of supervisors have been passed. Chen Rui and Hu Jing were elected as the new shareholder supervisors of the fourth board of supervisors. Dong Xiaolin was elected as the new external supervisor of the fourth board of supervisors. The emoluments in the report cover the actual emoluments of the members of the third board of supervisors and the new external supervisor Dong Xiaolin in 2018.
- (16) The Bank issued an announcement on 25 October 2019. Mr. Hu Jun, an independent non-executive director of the Bank, resigned as an independent non-executive director of the Bank on the date of announcement because he wanted to devote more time to other matters. Resignations of members of the Personnel Nomination and Remuneration Committee, members of the Risk Management Committee, and chairman of the Related Party Transaction Control Committee have taken effect on the date of the announcement.

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## 14 EMOLUMENTS OF DIRECTORS, SUPERVISORS (CONTINUED)

### (a) Details of the directors' and supervisors' emoluments are as follows: (Continued)

- (17) The Bank issued an announcement on 28 March 2019. Mr. Qian Li, a non-executive director of the Bank, submitted his resignation to the Bank on the date of publication of the announcement due to job transfer. The resignations of members of the Committee and the Audit Committee have taken effect on the date of the announcement.
- (18) The Bank issued an announcement on 10 July, 2020, according to its articles of association and rules of procedure of the board of supervisors, the bank worker democracy election, Mr. He Jiehua and Mr. Ullrich, who won the election on 13 July 2020, will serve as the employee supervisors from the same day to the expiration of the fourth term of the board of supervisors transition.

### (b) Retirement benefits for directors and supervisors

For the year ended 31 December 2020, no retirement benefits were paid to the directors or supervisors by a defined benefit pension plan operated by the Group (2019: none).

### (c) Termination benefits for directors and supervisors

For the year ended 31 December 2020, no early termination compensations were paid to the directors or supervisors by the Group (2019: none).

### (d) Consideration provided to third parties

For the year ended 31 December 2020, no consideration was paid to third parties that previously hired the Group's current directors and supervisors (2019: none).

### (e) Material interests in transactions, arrangements or contracts with directors and supervisors.

For the year ended 31 December 2020, the Group has not entered into any significant transactions, arrangements or contracts in which the directors and supervisors of the Group have material interests directly or indirectly in the Group's business (2019: none).



## Notes to the Consolidated Financial Statements

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### 15 IMPAIRMENT LOSSES ON CREDITS

	2020	2019
Loans and advances		
– At amortised cost	<b>(10,663,797)</b>	(4,591,446)
– Stage 1	<b>(2,882,387)</b>	(1,271,030)
– Stage 2	<b>599,240</b>	(1,018,452)
– Stage 3	<b>(8,380,650)</b>	(2,301,964)
– At fair value through other comprehensive income	<b>100,403</b>	10,884
– Stage 1	<b>100,403</b>	10,884
Financial investments		
– Financial assets at amortised cost	<b>(718,049)</b>	(5,485,037)
– Financial assets at fair value through other comprehensive income	<b>86,292</b>	82,259
Credit commitments	<b>57,377</b>	(72,250)
Deposits with banks and other financial institutions	<b>(109,854)</b>	(707,367)
Placements with and loans to banks and other financial institutions	<b>7,852</b>	8,864
Financial assets held under resale agreements	<b>83,459</b>	(7,522)
Finance lease receivables (note 28)	<b>(1,277,922)</b>	(755,018)
Other assets	<b>175,468</b>	(380,629)
<b>Total</b>	<b>(12,258,771)</b>	(11,897,262)

## Notes to the Consolidated Financial Statements

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### 16 INCOME TAX EXPENSE

	2020	2019
Current income tax		
– Chinese mainland income tax	<b>(3,435,306)</b>	(4,730,760)
Deferred tax (Note 38)	<b>1,273,990</b>	2,491,542
Total	<b>(2,161,316)</b>	(2,239,218)

The provision for Mainland China income tax includes income tax based on the statutory tax rate of 25% of the taxable income of the Group as determined in accordance with the relevant PRC income tax rules and regulations.

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of 25%. The major reconciliation items are as follows:

	2020	2019
Profit before tax	<b>12,082,696</b>	12,300,817
Tax calculated at the applicable statutory tax rate of 25%	<b>(3,020,674)</b>	(3,075,204)
Tax effect arising from income not subject to tax <sup>(a)</sup>	<b>1,369,783</b>	1,030,654
Tax effect of items such as expenses not deductible for tax purposes <sup>(b)</sup>	<b>(509,760)</b>	(169,049)
Tax filing differences from previous years	<b>(17,150)</b>	1,170
Unrecognized impact of deductible temporary differences	–	(26,789)
Available deductible loss from previous years	<b>16,485</b>	–
Income tax expense	<b>(2,161,316)</b>	(2,239,218)

- (a) Non-taxable income mainly represents interest income arising from PRC treasury bonds which are tax free according to PRC tax regulations.
- (b) The items that are not deductible for tax purposes mainly represent marketing and entertainment expenses deductible loss and non-deductible written off loan in excess of the relevant deductible threshold under the relevant PRC tax regulations.
- (c) The subsidiary of the Group, Wuwei Huiyin Village and Township Bank Co., Ltd had incurred tax benefits for the current year, and the Group took advantage of its deductible losses of previous years.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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### 17 EARNINGS PER SHARE (BASIC AND DILUTED)

- (a) Basic earnings per share was computed by dividing the net profit attributable to the ordinary shareholders of the Bank by the weighted average number of ordinary shares in issue during the reporting period.

	2020	2019
Net profit attributable to shareholders of the Bank (in RMB thousands)	<b>9,569,720</b>	9,818,780
Proposed dividends for preference shares (in RMB thousands)	<b>357,601</b>	379,502
Interest payments on perpetual bonds announced for the year	<b>490,000</b>	–
Weighted average number of ordinary shares in issue (in thousands)	<b>12,159,541</b>	12,154,801
Basic earnings per share (in RMB)	<b>0.72</b>	0.78

For capital stock information, please refer to Note 40(a). The number of common shares of the Bank in this year is increased due to the non-public offering of domestic capital shares. Therefore, the basic earnings per share of the Bank in 2020 was recalculated based on the adjusted number of shares.

When calculating basic earnings per share for ordinary shares, the dividend of preference shares issued in the current year shall be deducted from the net profit attributable to the shareholders of the Bank. In 2016, the Bank issued non-cumulative preference shares. As at 31 December 2020, the declared dividend of Offshore Preference Shares amounted to USD54.27 million, equivalent to RMB357.60 million before tax. (As at 31 December 2019, the declared dividend of Offshore Preference Shares amounted to USD54.27 million, equivalent to RMB379.50 million before tax.) In 2019, the Bank issued perpetual bonds, and declared the payment of interest on the bond for the amount of RMB490 million as of 31st December, 2020.

- (b) Diluted earnings per share

There was no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the year ended 31 December 2020 and 31 December 2019.

The preference shares are potentially convertible to ordinary shares available. As of 31 December 2020, the triggering conditions for the conversion had not occurred, and the convertible features of preference shares had no impact on the calculation of basic and diluted earnings per share for year ended 31 December 2020.

## Notes to the Consolidated Financial Statements

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### 18 CASH AND BALANCES WITH CENTRAL BANK

	As at 31 December 2020	As at 31 December 2019
Cash	1,215,801	1,025,001
Statutory reserves <sup>(a)</sup>	67,251,455	58,308,358
Surplus reserves <sup>(b)</sup>	29,881,507	32,602,248
Subtotal	98,348,763	91,935,607
Interest receivable	35,438	35,647
Total	98,384,201	91,971,254

- (a) The Group places statutory deposit reserves with the People's Bank of China ("the PBOC"). The statutory deposit reserves are not available for use in the Group's daily business.

As at the end of the financial statements year, the statutory deposit reserve rates of the Bank were as follows:

	As at 31 December 2020	As at 31 December 2019
Statutory reserve rate for RMB deposits	9.0%	9.5%
Statutory reserve rate for foreign currency deposits	5.0%	5.0%

As at 31 December 2020, statutory reserve rates for Jinzhai Huiyin Village and Township Bank Co., Ltd. ("Jinzhai Huiyin") and Wuwei Huiyin Village and Township Bank Co., Ltd. ("Wuwei Huiyin") were 5.0% and 6.0% (31 December 2019: 6.5% and 7.5%).

- (b) Surplus deposit reserves maintained with the PBOC are mainly for clearing purposes.

## Notes to the Consolidated Financial Statements

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### 19 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Banks in Mainland China	9,676,833	10,942,449
Other financial institutions in Mainland China	406,022	48,538
Banks in other countries and regions	1,661,360	3,496,165
Subtotal	11,744,215	14,487,152
Interest receivable	40,119	143,485
Less: allowances for impairment losses	(486,263)	(376,409)
Total	11,298,071	14,254,228

As at 31 December 2020, the carrying amounts of banks and other financial institutions in Stage 1 and Stage 3 were RMB11,276.66 million and RMB467.56 million (31 December 2019: RMB14,019.59 million in Stage 1, RMB467.56 million in stage 3), and the allowances for impairment losses in Stage 1 and Stage 3 were RMB18.7 million and RMB467.56 million (31 December 2019: RMB39.52 million in Stage 1, RMB336.89 million in Stage 3).

### 20 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Banks in Mainland China	100,000	1,348,834
Other financial institutions in Mainland China	5,120,433	3,268,157
Other financial institutions in other countries and regions	-	120,000
Subtotal	5,220,433	4,736,991
Interest receivable	61,814	14,201
Less: allowances for impairment losses	(5,535)	(13,387)
Total	5,276,712	4,737,805

As at 31 December 2020, placements with banks and other financial institutions were in Stage 1, and allowances for impairment losses were RMB5.54 million (31 December 2019: RMB13.39 million).

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### 21 DERIVATIVE FINANCIAL INSTRUMENTS

	As at 31 December 2020		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	1,093,989	15,769	(16,871)
– Currency swaps	973,842	55,668	(4,194)
– Interest rate swaps	11,838,000	58,567	(72,911)
– Precious metal swaps	2,358,767	7,994	(46,805)
<b>Total</b>	<b>16,264,598</b>	<b>137,998</b>	<b>(140,781)</b>

	As at 31 December 2019		
	Notional Amount	Fair value	
		Assets	Liabilities
Derivative financial instruments held for trading			
– Currency forwards	252,999	2,829	(2,032)
– Currency swaps	9,724,597	182,257	(72,022)
– Interest rate swaps	11,830,000	50,320	(172,050)
– Credit risk mitigation tools issued-financial guarantee contracts	650,000	–	(35,225)
<b>Total</b>	<b>22,457,596</b>	<b>235,406</b>	<b>(281,329)</b>

### 22 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	As at 31 December 2020	As at 31 December 2019
By collateral type:		
Debt securities	250,221	28,725,573
Subtotal	250,221	28,725,573
Interest receivable	170	10,128
Less: allowances for impairment losses	(1,015)	(84,474)
<b>Total</b>	<b>249,376</b>	<b>28,651,227</b>

On 31st December, financial assets held under resale agreements were in Stage 1, and allowances for impairment losses were RMB1.02 million (31 December 2019: RMB84.47 million).

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### 23 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysis of loans and advances to customers:

	As at 31 December 2020	As at 31 December 2019
Loans and advances measured at amortised cost		
– Corporate loans	325,112,287	263,782,663
– Personal loans	220,082,263	178,332,291
Subtotal	545,194,550	442,114,954
Loans and advances measured at fair value through other comprehensive income		
– Discounted bills	27,759,091	21,870,165
Subtotal	27,759,091	21,870,165
Total	572,953,641	463,985,119
Interest receivable	1,097,655	956,051
Total loans and advances	574,051,296	464,941,170
Less: allowance for loans at amortised cost	(20,652,134)	(14,521,393)
Loans and advances to customers, net	553,399,162	450,419,777
Allowance for loans at fair value through other comprehensive income	(8,052)	(108,455)

(b) Loans and advances to customers are assessed as follows (excluding accrued interest):

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	Total
<b>As at 31 December 2020</b>				
Total loans and advances to customers	552,542,909	9,052,671	11,358,061	572,953,641
Allowance for impairment losses Loans and advances measured at amortised cost	(8,182,365)	(3,428,632)	(9,041,137)	(20,652,134)
<b>As at 31 December 2019</b>				
Total loans and advances to customers	447,337,963	11,832,498	4,814,658	463,985,119
Allowance for impairment losses Loans and advances measured at amortised cost	(5,377,937)	(4,814,007)	(4,329,449)	(14,521,393)

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For the year ended 31 December 2020  
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### 23 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### (c) Reconciliation of allowance for impairment losses on loans and advances to customers

##### (1) Reconciliation of allowance for impairment losses measured at amortised cost

	Year ended 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	
<b>As at 1 January 2020</b>	<b>5,377,937</b>	<b>4,814,007</b>	<b>4,329,449</b>	<b>14,521,393</b>
Impairment losses for the year	<b>2,882,387</b>	<b>(599,240)</b>	<b>8,380,650</b>	<b>10,663,797</b>
Stage conversion				
Transfers to Stage 1	<b>49,038</b>	<b>(13,629)</b>	<b>(35,409)</b>	–
Transfers to Stage 2	<b>(101,216)</b>	<b>109,947</b>	<b>(8,731)</b>	–
Transfers to Stage 3	<b>(25,781)</b>	<b>(882,453)</b>	<b>908,234</b>	–
Write-off and transfer out	–	–	<b>(5,330,456)</b>	<b>(5,330,456)</b>
Recovery of loans and advances written off	–	–	<b>860,902</b>	<b>860,902</b>
Unwinding of discount on allowance	–	–	<b>(63,502)</b>	<b>(63,502)</b>
<b>As at 31 December 2020</b>	<b>8,182,365</b>	<b>3,428,632</b>	<b>9,041,137</b>	<b>20,652,134</b>

This year, the domestic branch adjusted the five-level classification and customer rating of customer loans and advances, and the loan principal of stage 1 which was transferred to stage 2 and stage 3 was RMB3 billion, the loan principal from stage 2 to stage 3 was RMB2.4 billion, the principal of the loan transferred from stage 2 to stage 1 was RMB0.1 billion. The principal of the loan transferred from stage 3 to stage 1 and stage 2 was not significant.

	Year ended 31 December 2019			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	
<b>As at 1 January 2019</b>	<b>3,504,296</b>	<b>4,862,848</b>	<b>3,540,289</b>	<b>11,907,433</b>
Impairment losses for the year	<b>1,271,030</b>	<b>1,018,452</b>	<b>2,301,964</b>	<b>4,591,446</b>
Stage conversion				
Transfers to Stage 1	<b>635,379</b>	<b>(622,129)</b>	<b>(13,250)</b>	–
Transfers to Stage 2	<b>(12,798)</b>	<b>39,637</b>	<b>(26,839)</b>	–
Transfers to Stage 3	<b>(19,970)</b>	<b>(484,801)</b>	<b>504,771</b>	–
Write-off and transfer out	–	–	<b>(2,518,992)</b>	<b>(2,518,992)</b>
Recovery of loans and advances written off	–	–	<b>582,663</b>	<b>582,663</b>
Unwinding of discount on allowance	–	–	<b>(41,157)</b>	<b>(41,157)</b>
<b>As at 31 December 2019</b>	<b>5,377,937</b>	<b>4,814,007</b>	<b>4,329,449</b>	<b>14,521,393</b>



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### 23 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Reconciliation of allowance for impairment losses on loans and advances to customers (Continued)

(2) Reconciliation of allowance for impairment losses measured at fair value through other comprehensive income:

	Year ended 31 December 2020			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
<b>As at 1 January 2020</b>	<b>108,455</b>	–	–	<b>108,455</b>
Impairment losses for the year	<b>(100,403)</b>	–	–	<b>(100,403)</b>
Stage conversion	–	–	–	–
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
<b>As at 31 December 2020</b>	<b>8,052</b>	–	–	<b>8,052</b>

	Year ended 31 December 2019			
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
<b>As at 1 January 2019</b>	119,339	–	–	119,339
Impairment losses for the year	(10,884)	–	–	(10,884)
Stage conversion	–	–	–	–
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
Unwinding of discount on allowance	–	–	–	–
<b>As at 31 December 2019</b>	108,455	–	–	108,455

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### 24 INVESTMENT SECURITIES

#### Financial assets at fair value through profit or loss

	As at 31 December 2020	As at 31 December 2019
<b>Listed outside Hong Kong</b>		
– Government bonds	2,966,945	1,146,087
– Other debt securities	11,709,692	1,388,746
– Interbank certificates of deposits	883,749	49,676
Subtotal	15,560,386	2,584,509
<b>Unlisted</b>		
– Beneficial rights in trust and asset management plans	93,062,234	70,973,827
– Non-guaranteed wealth management products managed by other banks	13,508,907	20,220,583
Subtotal	106,571,141	91,194,410
Interest receivable	919,319	1,446,534
Total	123,050,846	95,225,453

As at 31 December 2020 and 31 December 2019, there was no significant limitation on the ability of the Group and the Bank to dispose of financial assets at fair value through profit or loss. Debt securities traded on the China Domestic Interbank Bond Market are included in the category “Listed outside Hong Kong”.

#### Financial assets at fair value through other comprehensive income

	As at 31 December 2020	As at 31 December 2019
<b>Debt securities</b>		
Listed outside Hong Kong		
– Debt securities	118,548,262	95,905,662
– Interbank certificates of deposits	–	5,511,326
Subtotal	118,548,262	101,416,988
<b>Equity securities</b>		
Unlisted		
– Equity investment	234,765	180,876
Subtotal	234,765	180,876
Interest receivable	1,783,021	1,578,529
Total	120,566,048	103,176,393

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### 24 INVESTMENT SECURITIES (CONTINUED)

#### Financial assets at amortised cost

	As at 31 December 2020	As at 31 December 2019
<b>Listed outside Hong Kong</b>		
– Debt securities	<b>98,879,314</b>	75,095,015
<b>Unlisted</b>		
– Beneficial rights in trust and asset management plans	<b>175,343,103</b>	210,290,122
Subtotal	<b>274,222,417</b>	285,385,137
Interest receivable	<b>4,819,973</b>	4,881,651
Less: allowance for impairment losses	<b>(12,132,326)</b>	(11,414,277)
Financial assets at amortised cost, net	<b>266,910,064</b>	278,852,511

Beneficial rights in trust and asset management plans invested by the Group are the usufruct in trusts or asset management plans organized by security companies. The investment decisions of these products are made by the third-party asset managers or custodians. They mainly invest in collective investment products including: (a) liquid assets: deposits, repurchase agreements, money market funds and other cash management products, bond funds; bonds traded in exchange and inter-bank market, convertible bonds, ABS and ABN, or other qualified highly-liquid assets. (b) financing assets: the financing forms including entrusted loans, loan assets bought from other financial institutions, specific asset usufruct and etc. and (c) products issued by other financial institutions mainly including non-cash management fixed return products issued by investment funds, trusts, insurance companies, securities companies, commercial banks and etc. The details of unconsolidated structured entities invested by the Group are set out in Note 48.

Investment securities analyzed by issuer are as follows:

#### Financial assets at FVTPL

	As at 31 December 2020	As at 31 December 2019
By issuers		
– Government	<b>2,966,945</b>	1,146,087
– Banks and other financial institutions	<b>117,413,255</b>	92,596,462
– Legal entities	<b>1,751,327</b>	36,370
Interest receivable	<b>919,319</b>	1,446,534
Total	<b>123,050,846</b>	95,225,453

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### 24 INVESTMENT SECURITIES (CONTINUED)

#### Financial assets at FVOCI

	As at 31 December 2020	As at 31 December 2019
<b>Debt instruments</b>		
By issuers		
– Government	75,188,885	59,198,502
– Banks and other financial institutions	24,800,805	26,210,435
– Legal entities	18,558,572	16,008,051
Subtotal	118,548,262	101,416,988
Equity instruments	234,765	180,876
Interest receivable	1,783,021	1,578,529
Total	120,566,048	103,176,393

#### Financial assets at AC

	As at 31 December 2020	As at 31 December 2019
By issuers		
– Government	74,958,983	57,790,899
– Banks and other financial institutions	191,762,267	219,810,470
– Legal entities	7,501,167	7,783,768
Subtotal	274,222,417	285,385,137
Interest receivable	4,819,973	4,881,651
Less: Allowance for impairment losses	(12,132,326)	(11,414,277)
Financial assets at AC, net	266,910,064	278,852,511

### 25 INVESTMENTS IN ASSOCIATES

Investments in associates of the Group comprising ordinary shares of unlisted companies are as follows:

As at 31 December 2020 Associates	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Percentage of shares
Chery Huiyin Motor Finance Service Co., Ltd.	PRC	34,613,403	27,694,356	2,022,715	773,027	20%
Mengshang Bank Co., Ltd	PRC	199,042,759	178,586,167	573,798	(3,493,899)	15%

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### 25 INVESTMENTS IN ASSOCIATES (CONTINUED)

As at 31 December 2019 Associates	Place of incorporation	Assets	Liabilities	Revenue	Net profit	Percentage of shares
Chery Huiyin Motor Finance Service Co., Ltd.	PRC	43,400,477	37,188,789	2,061,709	766,801	20%

	<b>Year ended 31 December 2020</b>	Year ended 31 December 2019
<b>Investment in Chery Huiyin Motor Finance Service Co., Ltd.</b>		
Balance at beginning of the year	<b>1,242,338</b>	1,100,008
Additions	-	-
Cash dividends received	<b>(11,560)</b>	(11,030)
Share of results, net of tax	<b>153,032</b>	153,360
Balance at end of the year	<b>1,383,810</b>	1,242,338

	<b>Year ended 31 December 2020</b>
<b>Investment in Mengshang Bank Co., Ltd</b>	
Balance at beginning of the year	-
Additions	<b>3,600,000</b>
Cash dividends received	-
Share of results, net of tax	<b>(509,550)</b>
Balance at end of the year	<b>3,090,450</b>

Chery Huiyin Motor Finance Service Co., Ltd. was established in 2009, with a registered capital of RMB500 million, among which the Group accounted for RMB100 million or 20% of 500 million. With the approval of CBRC Anhui Branch on 24 December 2012, the authorised registered capital of Chery Huiyin Motor Finance Service Co., Ltd. was increased to RMB1 billion. As at 31 December 2014, the Group's share in this associate was RMB200 million or 20%. On 30 September 2014, this associate has completed its shareholding reform, and was renamed as Chery Huiyin Motor Finance Service Corporation Limited. In December 2017, the three shareholders of the associate subscribed for 500 million shares in the associate with capital injection of RMB1.52 billion, in proportion to their respective shareholding ratio. After the capital increase, the registered capital of the associate increased from RMB1 billion to RMB1.5 billion, and the remaining 0.02 billion enters into capital reserves. After the capital increase, the Group's share in this associate was RMB300 million or 20% of the total capital.

The Group participated in the establishment of Mongolian Commercial Bank Co., Ltd in the first half of 2020. The registered capital of the invested enterprise is RMB20 billion. The Group invested 3.6 billion yuan (of which 3 billion yuan is included in the share capital and 600 million yuan is included in the capital reserve), and the equity accounted for 15% of 20 billion. Mongolia Commercial Bank Co., Ltd. was established on 30 April, 2020 in accordance with the law. One of the current board members is nominated by the Group, so that the Group can exert significant influence on the company, so it is accounted as a joint venture enterprise.

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### 26 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Electronic and other equipment	Construction- in-progress	Total
Cost					
<b>As at 1 January 2020</b>	<b>1,732,975</b>	<b>55,631</b>	<b>1,709,722</b>	<b>709,826</b>	<b>4,208,154</b>
Business Integration	2,162,204	4,929	24,960	–	2,192,093
Additions	37,080	376	270,898	430,915	739,269
Transfers in/(out)	386	–	5,271	(23,926)	(18,269)
Disposals	(16,607)	(6,689)	(112,230)	–	(135,526)
Other transfers out	–	–	–	(12,896)	(12,896)
<b>As at 31 December 2020</b>	<b>3,916,038</b>	<b>54,247</b>	<b>1,898,621</b>	<b>1,103,919</b>	<b>6,972,825</b>
Accumulated depreciation					
<b>As at 1 January 2020</b>	<b>(934,799)</b>	<b>(51,228)</b>	<b>(1,163,013)</b>	–	<b>(2,149,040)</b>
Depreciation charge	(76,380)	(2,173)	(232,913)	–	(311,466)
Disposals	14,545	6,489	104,920	–	125,954
<b>As at 31 December 2020</b>	<b>(996,634)</b>	<b>(46,912)</b>	<b>(1,291,006)</b>	–	<b>(2,334,552)</b>
Net book value	<b>2,919,404</b>	<b>7,335</b>	<b>607,615</b>	<b>1,103,919</b>	<b>4,638,273</b>

	Buildings	Motor vehicles	Electronic and other equipment	Construction- in-progress	Total
Cost					
<b>As at 1 January 2019</b>	<b>1,644,522</b>	<b>61,961</b>	<b>1,594,867</b>	<b>876,562</b>	<b>4,177,912</b>
Additions	5,044	582	186,699	187,753	380,078
Transfers in/(out)	92,810	278	172	(349,051)	(255,791)
Disposals	(9,401)	(7,190)	(72,016)	–	(88,607)
Other transfers out	–	–	–	(5,438)	(5,438)
<b>As at 31 December 2019</b>	<b>1,732,975</b>	<b>55,631</b>	<b>1,709,722</b>	<b>709,826</b>	<b>4,208,154</b>
Accumulated depreciation					
<b>As at 1 January 2019</b>	<b>(859,173)</b>	<b>(55,460)</b>	<b>(1,031,563)</b>	–	<b>(1,946,196)</b>
Depreciation charge	(79,274)	(2,743)	(206,281)	–	(288,298)
Disposals	3,648	6,975	74,831	–	85,454
<b>As at 31 December 2019</b>	<b>(934,799)</b>	<b>(51,228)</b>	<b>(1,163,013)</b>	–	<b>(2,149,040)</b>
Net book value	<b>798,176</b>	<b>4,403</b>	<b>546,709</b>	<b>709,826</b>	<b>2,059,114</b>

All lands and buildings of the Group are located outside Hong Kong.

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### 27 RIGHT-OF-USE ASSETS

	Buildings	Motor vehicles	Electronic and other equipment	Land use rights	Total
Cost					
<b>As at 1 January 2020</b>	<b>1,176,463</b>	<b>5,346</b>	<b>–</b>	<b>171,785</b>	<b>1,353,594</b>
Additions	451,632	6,033	4,248	–	461,913
Disposals and transfers out	(114,648)	(2,132)	–	(922)	(117,702)
Revaluation of lease liabilities	(165)	(2)	–	–	(167)
<b>As at 31 December 2020</b>	<b>1,513,282</b>	<b>9,245</b>	<b>4,248</b>	<b>170,863</b>	<b>1,697,638</b>
Accumulated depreciation					
<b>As at 1 January 2020</b>	<b>(262,503)</b>	<b>(2,069)</b>	<b>–</b>	<b>(30,779)</b>	<b>(295,351)</b>
Depreciation charge	(305,317)	(3,876)	(492)	(9,160)	(318,845)
Transfers out	83,378	2,092	–	–	85,470
<b>As at 31 December 2020</b>	<b>(484,442)</b>	<b>(3,853)</b>	<b>(492)</b>	<b>(39,939)</b>	<b>(528,726)</b>
Net book value	<b>1,028,840</b>	<b>5,392</b>	<b>3,756</b>	<b>130,924</b>	<b>1,168,912</b>

	Buildings	Motor vehicles	Land use rights	Total
Cost				
<b>As at 1 January 2019</b>	<b>1,009,086</b>	<b>2,965</b>	<b>170,863</b>	<b>1,182,914</b>
Additions	183,534	2,381	922	186,837
Disposals and transfers out	(10,142)	–	–	(10,142)
Revaluation of lease liabilities	(6,015)	–	–	(6,015)
<b>As at 31 December 2019</b>	<b>1,176,463</b>	<b>5,346</b>	<b>171,785</b>	<b>1,353,594</b>
Accumulated depreciation				
<b>As at 1 January 2019</b>	<b>–</b>	<b>–</b>	<b>(22,023)</b>	<b>(22,023)</b>
Depreciation charge	(264,257)	(2,069)	(8,756)	(275,082)
Transfers out	1,754	–	–	1,754
<b>As at 31 December 2019</b>	<b>(262,503)</b>	<b>(2,069)</b>	<b>(30,779)</b>	<b>(295,351)</b>
Net book value	<b>913,960</b>	<b>3,277</b>	<b>141,006</b>	<b>1,058,243</b>

All lands and buildings of the Group are located outside Hong Kong.

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### 27 RIGHT-OF-USE ASSETS (CONTINUED)

The net book value of the Group's houses and buildings at the end of each reporting period in terms of the remaining years of leases is as follows:

	As at 31 December 2020	As at 31 December 2019
Medium Term Lease (10 to 50 Years)	55,699	80,945
Short-term lease (less than 10 years)	973,141	833,015
Total	1,028,840	913,960

### 28 FINANCE LEASE RECEIVABLES

(a) The Group's finance lease receivables are analyzed by maturity date as follows:

As at 31 December 2020	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	18,246,266	26,915,273	11,823,021	56,984,560
Unearned finance income	(3,529,556)	(2,690,459)	(365,774)	(6,585,789)
Allowance	(118,043)	(955,490)	(895,769)	(1,969,302)
Interest receivable of finance leases	624,495	-	-	624,495
Net	15,223,162	23,269,324	10,561,478	49,053,964

As at 31 December 2019	Within 1 year	1 to 3 years	Over 3 years	Total
Finance lease receivables	17,684,384	23,312,041	9,887,093	50,883,518
Unearned finance income	(3,376,451)	(2,172,150)	(326,742)	(5,875,343)
Allowance	(478,825)	(20,966)	(1,022,331)	(1,522,122)
Interest receivable of finance leases	463,138	-	-	463,138
Net	14,292,246	21,118,925	8,538,020	43,949,191



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### 28 FINANCE LEASE RECEIVABLES (CONTINUED)

(b) The Group's finance lease receivables are analyzed by stages as follows:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
<b>As at 31 December 2020</b>				
The carrying value of finance lease receivables	48,359,970	838,849	1,199,952	50,398,771
<b>As at 31 December 2019</b>				
The carrying value of finance lease receivables	42,611,231	1,204,735	1,192,209	45,008,175

In this year, the stage conversion of the carrying value of finance lease receivables was not significant.

(c) The changes of the allowance for the financing lease receivables are as follows:

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
<b>As at 1 January 2020</b>	478,825	20,966	1,022,331	1,522,122
Impairment losses for the year (Note 31)	(251,880)	139,022	1,390,780	1,277,922
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(3,453)	403,336	(399,883)	–
Transfers to Stage 3	(537)	(16,929)	17,466	–
Write-off and transfer out	–	–	(830,742)	(830,742)
<b>As at 31 December 2020</b>	222,955	546,395	1,199,952	1,969,302

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### 28 FINANCE LEASE RECEIVABLES (CONTINUED)

(c) **The changes of the allowance for the financing lease receivables are as follows:** (Continued)

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	Total
As at 1 January 2019	251,977	5,687	592,281	849,945
Impairment losses for the year (Note 31)	229,627	20,482	504,909	755,018
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(2,612)	2,612	–	–
Transfers to Stage 3	(167)	(7,815)	7,982	–
Write-off and transfer out	–	–	(82,841)	(82,841)
As at 31 December 2019	478,825	20,966	1,022,331	1,522,122

The Group's finance lease receivables are all managed by its subsidiary, Huishang Bank Financial Leasing Co., Ltd. For the year ended 31 December 2020, the principal of the Group's five largest finance lease receivables and the related allowance were RMB1,652,885 thousand and RMB6,693 thousand, respectively, which accounted for 3.28% and 0.34% of the total balance, respectively (31 December 2019: the principal of the Group's five largest finance lease receivables and the related allowance were RMB1,731,020 thousand and RMB15,618 thousand, respectively, which accounted for 3.85% and 1.03% of the total balance, respectively).

### 29 GOODWILL

The Group completed a business combination in November 2020 with resultant goodwill of RMB14,567,826 thousand. See note 47 for details.

The Group assessed and determined that provision for the impairment losses of goodwill is not required as at 31 December 2020.

The Group calculated the recoverable amount of the CGU using cash flow projections based on financial forecasts approved by management covering a ten-year period. The discount rate used in the cash flow forecast is 10.7% and the growth rate to extrapolate cash flows beyond the budget period is 3%. The management of the Group considers this growth rate to be reasonable.

The key assumptions made by management in determining the cash flow forecast for the purpose of the goodwill impairment test are described below:

Operating income – Management sets interest rates and growth rates based on the cash generating units, past performance of regional peers and expectations for market developments.

Discount rate – The discount rate used is before tax after reflecting specific risks of the relevant businesses.

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### 30 OTHER ASSETS

	As at 31 December 2020	As at 31 December 2019
Interest receivable <sup>(a)</sup>	182,701	32,077
Other receivables <sup>(b)</sup>	1,779,556	4,779,171
Less: impairment allowance <sup>(b)</sup>	(400,024)	(451,472)
Funds to be settled	1,652,237	1,829,125
Long-term prepaid expenses	218,986	242,803
Foreclosed assets	300,047	568,266
Less: impairment allowance	(97,278)	(199,949)
Intangible assets <sup>(c)</sup>	450,560	418,285
Continued involvement in assets	2,052,257	304,024
Others	263,006	206,939
Less: impairment allowance	(1,385)	(2,600)
<b>Total</b>	<b>6,400,663</b>	<b>7,726,669</b>

#### (a) Interest receivable

	As at 31 December 2020	As at 31 December 2019
Loans and advances to customers	182,701	24,664
Finance leases	-	7,413
<b>Total</b>	<b>182,701</b>	<b>32,077</b>

On 31st December, the interest receivable disclosed by the Group during the year was interest receivable on the relevant financial instruments that are due but not received at the end of the reporting period, and interest on financial instruments based on the effective interest rate method is included as part of the carrying value of the financial assets.

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### 30 OTHER ASSETS (CONTINUED)

#### (b) Other receivables

The Group's other receivables are analysed by age as follows:

As at 31 December 2020	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	958,875	780,511	40,170	1,779,556
Allowance for impairment losses	(97,321)	(266,104)	(36,599)	(400,024)
Net	861,554	514,407	3,571	1,379,532

As at 31 December 2019	Within 1 year	1 to 3 years	Over 3 years	Total
Other receivables	4,018,107	662,350	98,714	4,779,171
Allowance for impairment losses	(47,045)	(311,599)	(92,828)	(451,472)
Net	3,971,062	350,751	5,886	4,327,699

On 31st December, the carrying amounts of other receivables in other assets in Stage 1, 2 and 3 were RMB958.75 million, RMB780.51 million and RMB40.17 million (31 December 2019: RMB4018.11 million, RMB662.35 million and RMB98.71 million), and the allowances for impairment losses in Stage 1, 2 and 3 were RMB97.32 million, RMB266.1 million and RMB36.6 million (31 December 2019: RMB47.05 million, RMB311.60 million and RMB92.83 million).

#### (c) Intangible assets

Intangible assets of the Group are mainly computer software.

	As at 31 December 2020	As at 31 December 2019
Cost		
Balance at beginning of the year	735,493	446,618
Addition initiated by the business integration	24,852	–
Additions	104,035	59,462
Transfers-construction-in-process	18,270	255,792
Disposals	(43)	(26,379)
Balance at end of the year	882,607	735,493
Accumulated amortisation		
Balance at beginning of the year	(317,208)	(265,529)
Additions	(114,882)	(66,704)
Disposals	43	15,025
Balance at end of the year	(432,047)	(317,208)
Net book value		
At end of the year	450,560	418,285

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### 31 IMPAIRMENT ALLOWANCE (EXCEPT FOR LOANS AND ADVANCES)

	As at 1 January 2020	Additions/ Deductions	Recovery	Utilised	As at 31 December 2020
Deposits with banks and other financial institutions	(376,409)	(109,854)	-	-	(486,263)
Placements with banks and other financial institutions	(13,387)	7,852	-	-	(5,535)
Financial assets held under resale agreements	(84,474)	83,459	-	-	(1,015)
Financial investments measured at fair value and whose changes are included in other comprehensive income	(531,000)	86,292	-	160,000	(284,708)
Financial assets at amortised cost	(11,414,277)	(718,049)	-	-	(12,132,326)
Finance lease receivables	(1,522,122)	(1,277,922)	-	830,742	(1,969,302)
Foreclosed assets	(199,949)	61,911	-	40,760	(97,278)
Other assets – bad debts	(454,072)	175,468	(122,805)	-	(401,409)
<b>Total</b>	<b>(14,595,690)</b>	<b>(1,690,843)</b>	<b>(122,805)</b>	<b>1,031,502</b>	<b>(15,377,836)</b>

	As at 1 January 2019	Additions/ Deductions	Recovery	Utilised	As at 31 December 2019
Deposits with banks and other financial institutions	(14,629)	(707,367)	-	345,587	(376,409)
Placements with banks and other financial institutions	(22,251)	8,864	-	-	(13,387)
Financial assets held under resale agreements	(76,952)	(7,522)	-	-	(84,474)
Financial investments measured at fair value and whose changes are included in other comprehensive income	(613,259)	82,259	-	-	(531,000)
Financial assets at amortised cost	(7,878,848)	(5,485,037)	-	1,949,608	(11,414,277)
Finance lease receivables	(849,945)	(755,018)	-	82,841	(1,522,122)
Foreclosed assets	(177,125)	(22,824)	-	-	(199,949)
Other assets – bad debts	(98,172)	(380,629)	-	24,729	(454,072)
<b>Total</b>	<b>(9,731,181)</b>	<b>(7,267,274)</b>	<b>-</b>	<b>2,402,765</b>	<b>(14,595,690)</b>

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### 32 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Banks in Mainland China	10,942,229	23,656,487
Other financial institutions in Mainland China	81,568,497	87,049,801
Interest payable	1,079,158	629,348
<b>Total</b>	<b>93,589,884</b>	111,335,636

### 33 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	As at 31 December 2020	As at 31 December 2019
Banks in Mainland China	34,930,034	35,917,364
Interest payable	364,542	385,697
<b>Total</b>	<b>35,294,576</b>	36,303,061

### 34 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2020	As at 31 December 2019
Securities sold under repurchase agreements	18,286,563	25,145,563
Bills sold under repurchase agreements	4,477,941	6,147,584
Precious metals sold under repurchase agreements	17,435,110	18,690,252
Interest payable	199,757	381,563
<b>Total</b>	<b>40,399,371</b>	50,364,962

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### 35 DEPOSITS FROM CUSTOMERS

Items	As at 31 December 2020	As at 31 December 2019
Demand deposits		
– Corporate deposits	<b>251,060,743</b>	249,095,682
– Personal deposits	<b>68,065,877</b>	59,252,469
Time deposits (including deposits at call)		
– Corporate deposits	<b>188,696,940</b>	135,545,639
– Personal deposits	<b>167,480,939</b>	117,714,469
Pledged deposits held as collateral	<b>35,705,737</b>	32,007,196
Remittances payable	<b>1,241,184</b>	143,719
Other deposits	<b>701,677</b>	74,930
Interest payable	<b>13,789,681</b>	9,620,715
Total	<b>726,742,778</b>	603,454,819

### 36 TAXES PAYABLE

Items	As at 31 December 2020	As at 31 December 2019
Corporate income tax	<b>1,997,540</b>	2,657,050
Value-added tax	<b>515,431</b>	457,505
Business tax and surcharges	<b>63,630</b>	54,647
Others	<b>51,641</b>	53,343
Total	<b>2,628,242</b>	3,222,545

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### 37 OTHER LIABILITIES

	As at 31 December 2020	As at 31 December 2019
Dividends payable <sup>(a)</sup>	276,921	137,486
Unearned rent and deposits under lease arrangements <sup>(b)</sup>	4,031,194	3,548,920
Funds to be settled	835,133	475,480
Continued involvement in liabilities	2,052,257	304,024
Asset securitisation	1,157,748	512,236
Salary and welfare payable <sup>(c)</sup>	2,399,710	2,399,451
Entrusted services	86,699	113,278
Long term suspension of customer deposits	272	199
Provision	706,474	688,288
– Allowance for litigation losses (Note 44)	231,851	230,372
– Provision for impairment of credit commitments <sup>(d)</sup>	421,919	432,809
Project funds payable	50,413	68,606
Lease liabilities	964,166	851,241
Others	4,452,462	4,234,794
<b>Total</b>	<b>17,013,449</b>	<b>13,334,003</b>

#### (a) Dividends payable

As at 30 June 2020, the 2019 Annual general meetings of shareholders were held and decided to distribute cash dividends to all shareholders. Details are listed in note 43.

#### (b) Unearned rent and deposits under lease arrangements

As at 31 December 2020, the Group's unearned rent and deposits under lease arrangements were all related to its subsidiary, Huishang Bank Financial Leasing Co., Ltd., which included the deposits and deferred income on finance leases.

#### (c) Salary and welfare payable

	As at 31 December 2020	As at 31 December 2019
Short-term employee benefits	2,352,008	2,345,511
Termination benefits	17,640	13,071
Defined contribution plans	30,062	40,869
<b>Total</b>	<b>2,399,710</b>	<b>2,399,451</b>



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### 37 OTHER LIABILITIES (CONTINUED)

#### (c) Salary and welfare payable (Continued)

##### *Short-term employee benefits*

	As at 1 January 2020	Increase in current year	Decrease in current year	As at 31 December 2020
Wages, bonuses, allowances and subsidies	1,964,287	3,178,831	(3,180,615)	1,962,503
Employee benefits	75	285,201	(285,260)	16
Social insurance	846	145,212	(143,401)	2,657
Including:				
Medical insurance	750	143,922	(142,182)	2,490
Occupational injury insurance	46	211	(175)	82
Maternity insurance	50	1,079	(1,044)	85
Housing fund	7,046	223,131	(228,826)	1,351
Labour union fee and staff education fee	59,488	91,768	(79,544)	71,712
Other short-term employee benefits	313,769	18	(18)	313,769
<b>Total</b>	<b>2,345,511</b>	<b>3,924,161</b>	<b>(3,917,664)</b>	<b>2,352,008</b>

	As at 1 January 2019	Increase in current year	Decrease in current year	As at 31 December 2019
Wages, bonuses, allowances and subsidies	1,398,132	2,953,087	(2,386,932)	1,964,287
Employee benefits	–	271,438	(271,363)	75
Social insurance	916	156,620	(156,690)	846
Including:				
Medical insurance	830	150,251	(150,331)	750
Occupational injury insurance	36	1,229	(1,219)	46
Maternity insurance	50	5,140	(5,140)	50
Housing fund	2,284	188,729	(183,967)	7,046
Labour union fee and staff education fee	39,361	97,133	(77,006)	59,488
Other short-term employee benefits	313,768	15	(14)	313,769
<b>Total</b>	<b>1,754,461</b>	<b>3,667,022</b>	<b>(3,075,972)</b>	<b>2,345,511</b>

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### 37 OTHER LIABILITIES (CONTINUED)

#### (c) Salary and welfare payable (Continued)

##### Defined contribution plans

	As at 1 January 2020	Increase in current year	Decrease in current year	As at 31 December 2020
Basic pension insurance	6,182	31,971	(26,634)	11,519
Unemployment insurance	214	491	(335)	370
Annuity scheme	6,675	248,946	(249,870)	5,751
Total	13,071	281,408	(276,839)	17,640

##### Defined contribution plans

	As at 1 January 2019	Increase in current year	Decrease in current year	As at 31 December 2019
Basic pension insurance	6,150	232,833	(232,801)	6,182
Unemployment insurance	237	6,430	(6,453)	214
Annuity scheme	4,250	248,892	(246,467)	6,675
Total	10,637	488,155	(485,721)	13,071

#### (d) Provision – Provision for impairment of credit commitments

	As at 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	
As at 1 January 2020	351,178	73,649	7,982	432,809
Impairment losses for the year	46,634	(70,481)	(33,530)	(57,377)
Business Integration	–	–	46,487	46,487
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(2)	2	–	–
Transfers to Stage 3	–	–	–	–
As at 31 December 2020	397,810	3,170	20,939	421,919

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### 37 OTHER LIABILITIES (CONTINUED)

#### (d) Provision – Provision for impairment of credit commitments (Continued)

	As at 31 December 2019			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	
As at 1 January 2019	292,381	68,060	118	360,559
Impairment losses for the year	58,962	5,590	7,698	72,250
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	(165)	(1)	166	–
As at 31 December 2019	351,178	73,649	7,982	432,809

### 38 DEFERRED INCOME TAXES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities related to income taxes levied by the same taxation authority. The movements in the deferred income tax account are as follows:

	2020	2019
Balance at beginning of the year	8,161,629	5,749,437
The impacts of transition to IFRS 9		
– Effect on the income statement	–	–
– Effect on other comprehensive income	–	–
Charged to the income statement	1,273,990	2,491,542
Credited to other comprehensive income	291,831	(79,350)
Balance at end of the year	9,727,450	8,161,629

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### 38 DEFERRED INCOME TAXES (CONTINUED)

Items included in deferred tax assets and liabilities are as follows:

	As at 31 December 2020	As at 31 December 2019
<b>Deferred income tax assets</b>		
Impairment allowance for assets	8,843,222	7,480,096
Salary and welfare payable	497,608	499,427
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	84,825	42,067
Impairment of financial assets at fair value through other comprehensive income	71,177	132,750
Fair value changes of customer loans and advances made at fair value and whose changes are included in other comprehensive income	3,391	12,475
Impairment of loans and advances to customer at fair value through other comprehensive income	2,013	27,114
Credit commitment impairment	105,480	108,202
Others	439,669	480,348
Total deferred income tax assets	10,047,385	8,782,479
<b>Deferred income tax liabilities</b>		
Fair value changes of financial instruments at fair value through profit or loss and derivative financial instruments	-	-
Fair value changes of financial assets at fair value through other comprehensive income	(246,746)	(460,986)
Fair value changes of customer loans and advances made at fair value and whose changes are included in other comprehensive income	-	-
Impairment of financial assets at fair value through other comprehensive income	(71,176)	(132,750)
Impairment of loans and advances to customers at fair value through other comprehensive income	(2,013)	(27,114)
Total deferred income tax liabilities	(319,935)	(620,850)
Net	9,727,450	8,161,629

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### 38 DEFERRED INCOME TAXES (CONTINUED)

Deferred taxes recorded in the income statement for the year comprise the following temporary differences:

	2020	2019
Impairment allowance for assets	1,363,126	2,049,853
Salary and welfare payable	(1,819)	70,173
Fair value changes of financial instruments and derivative financial instruments at fair value through profit or loss	42,758	74,029
Fair value changes of financial assets at fair value through other comprehensive income	(61,573)	(20,565)
Fair value changes of loans and advances to customer at fair value through other comprehensive income	(25,101)	(2,721)
Credit commitment impairment	(2,722)	18,062
Others	(40,679)	302,711
<b>Total</b>	<b>1,273,990</b>	<b>2,491,542</b>

### 39 DEBT SECURITIES ISSUED

	As at 31 December 2020	As at 31 December 2019
11 Subordinated debts with fixed rate <sup>(a)</sup>	3,995,806	3,995,079
15 Financial bonds 02 <sup>(b)</sup>	–	499,898
15 Tier 2 capital bonds <sup>(c)</sup>	–	7,990,915
15 Financial bonds 04 <sup>(d)</sup>	–	499,888
16 Financial bonds 02 <sup>(e)</sup>	2,999,949	2,999,860
17 Green financial bonds <sup>(f)</sup>	–	999,960
18 Green financial bonds <sup>(g)</sup>	3,999,347	3,999,980
19 Financial bonds 01 <sup>(h)</sup>	9,000,000	9,000,000
19 Financial bonds 02 <sup>(i)</sup>	1,000,000	1,000,000
20 Small and micro bonds 01 <sup>(j)</sup>	9,999,282	–
20 Tier 2 capital bonds <sup>(k)</sup>	8,000,000	–
20 Huiyin financial leasing bonds 01 <sup>(l)</sup>	2,000,000	–
Interbank certificates of deposit issued <sup>(m)</sup>	138,709,653	151,476,020
Interest payable	931,658	781,108
<b>Total</b>	<b>180,635,695</b>	<b>183,242,708</b>

- (a) The Group issued RMB4 billion of subordinated debts on 2 April 2011 on China's inter-bank bond market, with a maturity of 15 years and a fixed coupon rate of 6.55%, paid annually. The Group has an option to redeem these debts at face value on 2 April 2021.

Claims on subordinated debts are posterior to other liabilities but prior to the Group's share capital. From 1 January 2013, they have been qualified for inclusion as Tier 2 capital in the calculation of capital adequacy ratio in accordance with "The Trial Measures for Capital Management of Commercial Banks" promulgated by the CBRC.

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### 39 DEBT SECURITIES ISSUED (CONTINUED)

- (b) The Group issued RMB0.5 billion of financial bonds on 30 July 2015 on the China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 4.35%, paid annually. The bond was redeemed on July 30th, 2020.
- (c) The Group issued RMB8 billion of tier 2 capital bonds on 11 September 2015 on the China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.69%, paid annually. The Group has an option to redeem part or all of the bonds at face value on 11 September 2020, subject to regulatory approval. Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary debts and is superior to equity, other tier 1 capital instruments and mixed capital debts. The bond is redeemed before the due date on September 11th, 2020.
- (d) The Group issued RMB0.5 billion of financial bonds on 24 September 2015 on the China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 4.10%, paid annually. The bond is redeemed on September 24th, 2020.
- (e) The Group issued RMB7 billion of financial bonds on 12 August 2016 on the China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.98%, paid annually.
- (f) The Group issued RMB1 billion of financial bonds on 8 September 2017 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 4.49%, paid annually. The bond is redeemed on September 8th, 2020.
- (g) The Group issued RMB4 billion of financial bonds on 29 May 2018 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 4.5%, paid annually.
- (h) The Group issued RMB9 billion of financial bonds on 8 March 2019 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 3.52%, paid annually.
- (i) The Group issued RMB1 billion of financial bonds on 8 March 2019 in China's inter-bank bond market, with a maturity of 5 years and a fixed coupon rate of 3.8%, paid annually.
- (j) The Group issued RMB10 billion of financial bonds on 27 April 2020 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.3%, paid annually.
- (k) The Group issued RMB8 billion of financial bonds on 28 September 2020 in China's inter-bank bond market, with a maturity of 10 years and a fixed coupon rate of 4.5%, paid annually. The Group has an option to redeem part or all of the bonds at face value on 28 September 2030, subject to regulatory approval. Tier 2 capital bond's right of recourse is subordinate to depositors and ordinary debts and is superior to equity, other tier 1 capital instruments and mixed capital debts.
- (l) The Group issued RMB2 billion of financial bonds on 16 April 2020 in China's inter-bank bond market, with a maturity of 3 years and a fixed coupon rate of 2.9%, paid annually.
- (m) The Group issued 102 interbank certificates of deposit at discount with a total face value of RMB140.41 billion with maturity ranging from one month to one year. As at 31 December 2020, the face value of the undue interbank certificates of deposit issued was RMB140.41 billion.

As at 31 December 2020, there were no defaults on principal and interest or other breaches to the agreements with respect to these debt securities.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 40 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE

### (a) Share capital

The Bank's share capital is comprised of fully paid ordinary shares in issue, with par value of RMB1 per share. The number of shares is as follows:

	As at 31 December 2020	As at 31 December 2019
Number of authorized shares fully paid in issue (in thousands)	<b>13,889,801</b>	12,154,801

According to the annual profit distribution plan for 2019 reviewed and adopted at the 2019 annual general meeting held on 30 June 2020, 1 share for every 10 shares and RMB1.57 for every 10 shares shall be sent to all shareholders based on the total shares of 12,154,801,211. The final dividend for 2019 has been distributed on 26 August 2020.

The group has increased its registered capital and paid in capital (share capital) by non-public offering of domestic shares in 2020. As of December 30, 2020, the net amount of funds actually raised by the Bank through non-public issuance of domestic shares was RMB9,893,752 thousand, including the increase of paid in capital (share capital) of RMB1,735,000 thousand and the increase of capital reserve (share premium) of RMB8,158,752 thousand. The raised funds have been verified by Ernst & Young which issued a capital verification report. The shares corresponding to the above capital increase were registered in China Securities Depository and Clearing Co., Ltd. on January 4, 2021. After the completion of the non-public offering, the total share capital of the group increased to 1,388,902,121 shares.

### (b) Other equity instruments

#### 1. Preference shares outstanding as at 31 December 2020 and 31 December 2019

Preference shares	Issue date	Classification	Initial interest rate	Quantity (USD) (million)	Original currency		Maturity date	Conversion conditions
					(USD)	(RMB)		
Offshore Preference Shares	10 November 2016	Equity instruments	5.50%	\$20/share 44.4	888,000	6,028,188	No maturity date	None
Total amount						6,028,188		
Less: issuance fee						(38,098)		
Carrying amount						5,990,090		

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For the year ended 31 December 2020  
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### 40 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE (CONTINUED)

#### (b) Other equity instruments (Continued)

##### 1. Preference shares outstanding as at 31 December 2020 and 31 December 2019 (Continued)

##### Changes in preference shares outstanding

	1 January 2020		Increase		31 December 2020	
	Amount (million shares)	Carrying value (RMB million)	Amount (million shares)	Carrying value (RMB million)	Amount (million shares)	Carrying value (RMB million)
Offshore Preference Shares	44.4	5,990,090	-	-	44.4	5,990,090

	1 January 2019		Increase		31 December 2019	
	Amount (million shares)	Carrying value (RMB million)	Amount (million shares)	Carrying value (RMB million)	Amount (million shares)	Carrying value (RMB million)
Offshore Preference Shares	44.4	5,990,090	-	-	44.4	5,990,090

The key terms are as follows:

#### (1) Dividend

The initial annual dividend rate is 5.50%, which will be reset according to the agreement during the duration. Subject to a resolution to be passed at a shareholders' general meeting of the Bank, the Bank may elect to cancel (in whole or in part) any dividend otherwise scheduled to be paid on a dividend payment date. The Bank may at its discretion use the funds arising from the cancellation of such dividend to repay other indebtedness that is due and payable. The dividend payment method is non-cumulative. The dividend distribution of Offshore Preference Shares amounted to USD54.27 million (USD48.84 million payable to preference shareholders at the coupon rate of 5.5% net of USD5.43 million of withholding tax at the rate of 10%).

#### (2) Redemption

The Bank may, subject to obtaining CBIRC approval and compliance with the redemption preconditions, upon prior notice to the offshore preference shareholders and the fiscal agent, redeem in whole or in part of the Offshore Preference Shares on the first reset date and on any dividend payment date thereafter. The redemption price for the Offshore Preference Shares shall be the aggregate of its liquidation priority amount and any declared but unpaid dividends.



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## 40 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE (CONTINUED)

### (b) Other equity instruments (Continued)

#### 1. Preference shares outstanding as at 31 December 2020 and 31 December 2019 (Continued)

##### Changes in preference shares outstanding (Continued)

##### (3) Compulsory conversion of preference shares

If any trigger event occurs, the Bank shall (having notified and obtained the consent of the CBIRC but without the need for the consent of holders of preference shares or the holders of ordinary shares): irrevocably and compulsorily convert all or some of the Offshore Preference Shares into such number of H Shares.

Offshore preference shares issued by the Bank are classified as equity instruments and listed in equity of the condensed consolidated statement of financial position. The capital raised by the aforesaid overseas preference shares is used to supplement other first class capital of the Bank and to increase the capital adequacy ratio of the Bank after deducting the issuance expenses.

#### 2. Perpetual bonds issued on December 31, 2020

Perpetual bonds	Issue date	Classification	Initial interest rate	Issue price (yuan)	Amount		Maturity date	Method
					(100 million yuan)	RMB (thousand)		
2019 Huishang Bank Perpetual bonds	29 November 2019	Equity instruments	4.90%	¥100/share	100	10,000,000	No maturity date	floating interest rates
Total amount						10,000,000		
Less: issuance fee						(189)		
Carrying amount						9,999,811		

Huishang Bank separately obtained approval on August 5 and November 5, 2019, from the Anhui office of China Banking and Insurance Regulatory Commission and the People's Bank of China to issue capital bonds with fixed maturities of no more than RMB10 billion in the national interbank bond market; at the end of November 2019, Huishang Bank Successfully issued Huishang Bank Co., Ltd. 2019 No Fixed-Term Capital Bonds, and completed bond registration and custody at the Central Government Bonds Registration and Clearing Co., Ltd. The bond was filed on November 29, 2019, and was issued on December 3, 2019. The bond issuance has a scale of RMB10 billion, and the unit face value is RMB100. It is issued at par with par value and coupon rate is 4.9%.

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### 40 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE (CONTINUED)

#### (b) Other equity instruments (Continued)

##### 2. Perpetual bonds issued on December 31, 2020 (Continued)

The duration of the bond is consistent with the Bank's continuing operations. Five years after the date of issuance, the bank has the right to redeem all or part of the bond at annual interest payment date (including the interest payment date of the fifth year after the date of issuance) on the premise that the redemption prerequisites are met and the CBIRC has approved. When the write-down triggering conditions are met, the bank has the right to write down all or part of the above-mentioned bonds that have been issued and surviving according to the total face value of the bonds if they are reported to the CBRC and agreed, but without the consent of the bondholders. The principal of the bond is settled in the order of depositors, general creditors and subordinated debts higher than the bonds, but before all classes of shares held by shareholders; the bonds are in the same order as other tier 1 capital instruments with the same repayment order be compensated.

The aforesaid bonds are paid by non-cumulative interest, and the Bank has the right to cancel part or all of the dividends of the bonds, which does not constitute a default event. The Bank is free to dispose of the proceeds of the cancellation of dividends for repayment of other due debts, but the Bank will not distribute profits to ordinary shareholders until the full interest payment is resumed.

Related information attributable to equity instrument holders:

	As at 31 December 2020	As at 31 December 2019
1. Total equity attributable to equity holders of the Bank	<b>103,041,067</b>	87,208,997
(1) Equity attributable to ordinary equity holders of the Bank	<b>87,051,166</b>	71,219,096
(2) Equity attributable to other equity holders of the Bank	<b>15,989,901</b>	15,989,901
2. Total equity attributable to non-controlling interests	<b>2,631,572</b>	2,284,632

#### (c) Capital reserve

Transactions of the following natures are recorded in the capital reserve:

- (i) share premium arising from the issuance of shares at prices in excess of their par value;
- (ii) donations received from shareholders; and
- (iii) any other items required by the PRC regulations.

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### 40 SHARE CAPITAL, OTHER EQUITY INSTRUMENTS AND CAPITAL RESERVE (CONTINUED)

#### (c) Capital reserve (Continued)

Capital surplus can be utilized for the issuance of stock dividends or increasing paid-up capital as approved by the shareholders meeting.

The Group's capital surplus is as follows:

	As at 31 December 2020	As at 31 December 2019
Share premium	14,919,197	6,760,445

### 41 SURPLUS RESERVES AND GENERAL AND REGULATORY RESERVES

	Surplus reserves <sup>(a)</sup>	General reserves <sup>(b)</sup>
As at 1 January 2019	9,553,466	9,117,707
Appropriation to surplus reserves (a)	1,811,817	–
Appropriation to general reserves (b)	–	1,997,320
As at 31 December 2019	11,365,283	11,115,027
Appropriation to surplus reserves (a)	1,868,762	–
Appropriation to general reserves (b)	–	1,180,805
<b>As at 31 December 2020</b>	<b>13,234,045</b>	<b>12,295,832</b>

#### (a) Surplus reserves

Pursuant to the "Company Law of the PRC" and the Group's Articles of Association, the Group is required to appropriate 10% of its net profit in the statutory consolidated financial statements to the non-distributable statutory surplus reserves. Appropriation to the statutory surplus reserves may cease when the balance of such reserves has reached 50% of the share capital. After the withdrawal of statutory surplus reserve, the Group can withdraw arbitrary surplus reserve. Subject to the approval of the shareholders' meeting, any surplus reserve can be used to make up the loss of previous years or to increase the share capital.

As at 31 December 2020 and 31 December 2019, the Group's statutory surplus reserve balances were RMB7,283.73 million and RMB6,368.98 million respectively. The others were discretionary surplus reserve.

#### (b) General reserve

Pursuant to Cai Jin [2012] No. 20 "Requirements on Impairment Allowance for Financial Institutions" (the "Requirements") issued by the Ministry of Finance on 20 March 2012, the general reserve should not be less than 1.5% of the aggregate amount of risk assets, and shall be raised within five years. The Requirements were effective from 1 July 2012.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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### 42 OTHER COMPREHENSIVE INCOME

	Fair value change of equity instruments at FVOCI		Fair value change of debt instruments at FVOCI		Impairment change of debt instruments at FVOCI		Total
	Amount	Income tax	Amount	Income tax	Amount	Income tax	
	before tax	impact	before tax	impact	before tax	impact	
As at 1 January 2019	133,519	(33,380)	1,249,985	(312,496)	732,598	(183,150)	1,587,076
Changes in amount for the previous year	37,857	(9,464)	372,687	(93,171)	(93,143)	23,285	238,051
As at 31 December 2019	171,376	(42,844)	1,622,672	(405,667)	639,455	(159,865)	1,825,127
Changes in amount for the year	53,888	(13,472)	(874,522)	218,630	(346,695)	86,674	(875,497)
<b>As at 31 December 2020</b>	<b>225,264</b>	<b>(56,316)</b>	<b>748,150</b>	<b>(187,037)</b>	<b>292,760</b>	<b>(73,191)</b>	<b>949,630</b>

### 43 DIVIDENDS

#### (a) Dividends for ordinary shares

	Year ended 31 December 2020	Year ended 31 December 2019
Dividends declared for the year	<b>1,908,304</b>	680,668
Dividends per ordinary share (in RMB)	<b>0.157</b>	0.056
Dividends paid during the year	<b>1,768,869</b>	669,709

The final dividend of RMB1.57 for every 10 shares in respect of the year ended 31 December 2020 has been approved by the shareholders in a general meeting.

Under the "Company Law of the PRC" and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory consolidated financial statements can only be distributed as dividends after allowances for the following:

- (i) Making up cumulative losses from prior years, if any;
- (ii) Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank;
- (iii) Appropriation to general reserve;
- (iv) Payment of preference shares dividends; and
- (v) Allocations to the discretionary reserve with approval from the general meetings of shareholders. These reserves form part of the shareholders' equity.

In accordance with the relevant regulations, the net profit after tax of the Bank for the purpose of profit distribution is deemed to be the lesser of (i) the retained profits determined in accordance with the PRC Generally Accepted Accounting Principles and (ii) the retained profits determined in accordance with IFRS.

## Notes to the Consolidated Financial Statements

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### 43 DIVIDENDS (CONTINUED)

#### (b) Dividends for preference shares

Based on the shareholders' resolution and approval, a board of directors meeting was convened on 27 August 2020 to approve the dividend distribution for offshore preference shares. Each offshore preference share shall entitle the holder thereof to receive non-accumulative dividends which have not been otherwise cancelled (the "Dividends") payable annually in arrears. Based on the relevant provisions, dividends amounting to USD54.267 million was declared (USD48.84 million payable to preference shares holders based on a coupon rate of 5.5% net of withholding tax of USD5.43 million at the rate of 10%). The dividend amounting to RMB357,601 thousand (inclusive of tax) was distributed on 10 November 2020.

The preference shares are potentially convertible to ordinary shares. As at 31 December 2020, the triggering conditions for the conversion of Preference Shares did not take place, and the convertibility of the preference shares did not affect the calculation of basic and diluted earnings per share for the year ended 31 December 2020.

#### (c) Profit distribution of perpetual bonds

On 3 December 2020, the Bank distributed interest on the 2019 unfixed term capital bonds (bonds referred to as "19 Huishang Bank perpetual bonds") of RMB490,000.

### 44 FINANCIAL GUARANTEES AND CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES

#### (a) Financial guarantees and credit commitments

The following tables indicate the contractual amounts of the Group's financial guarantees and credit commitments:

	As at 31 December 2020	As at 31 December 2019
Bank acceptance	40,303,011	36,775,576
Letters of credit issued	6,262,490	8,514,842
Letters of guarantee issued	15,645,344	20,357,013
Loan commitments	1,711,011	848,660
Unused credit card lines	42,218,513	24,524,237
Total	106,140,369	91,020,328
Impairment allowance for credit commitments (Note 37)	421,919	432,809

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### 44 FINANCIAL GUARANTEES AND CREDIT COMMITMENTS, OTHER COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

#### (b) Capital commitments

	As at 31 December 2020	As at 31 December 2019
Contracted but not provided for	101,681	814,359

#### (c) Treasury bond redemption commitments

The Group is entrusted by the MOF to underwrite certain treasury bonds. The investors of these treasury bonds have a right to redeem the bonds at any time prior to maturity and the Group is committed to redeem these treasury bonds. The redemption price is the principal value of the bonds plus unpaid interest in accordance with the early redemption arrangement. As at 31 December 2020 and 31 December 2019, the nominal values of treasury bonds the Group was obligated to redeem prior to maturity were RMB4.29 billion and RMB3.92 billion respectively.

#### (d) Legal proceedings

During the reporting year, the Group was involved as defendants/respondents in certain lawsuits arising from its normal business operations. At 31 December 2020, provision for litigation losses as advised by in-house or external legal professionals was RMB0.23 billion (31 December 2019: RMB0.23 billion). Based on legal advice, the management of the Group believes that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group.

### 45 COLLATERAL

#### (a) Pledged assets

The Group uses the following financial assets as collateral for selling repurchase transactions and borrowing from the Central Bank. At the balance sheet date, the face value of financial assets used as collateral for a liability or contingent liability is shown below:

	As at 31 December 2020	As at 31 December 2019
Fair value changes of financial assets at fair value through other comprehensive income	51,935,487	50,826,734
Financial assets at amortised cost	44,329,848	40,908,576
Fair value changes of financial assets at fair value through profit or loss	10,654,768	3,360,000
Discounted bills	4,482,042	6,150,500
Total	111,402,145	101,245,810

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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### 45 COLLATERAL (CONTINUED)

#### (a) Pledged assets (Continued)

The carrying value of financial assets sold under repurchase agreements by the Group as at 31 December 2020 was RMB40.4 billion (as at 31 December 2019: RMB50.37 billion) as set out in Note 35. Repurchase agreements are primarily due within 12 months from the effective dates of these agreements.

For financial assets sold under repurchase agreements, the related security rights have been transferred to the counterparty. The debt securities with title transferred to counterparties recorded in financial assets sold under repurchase agreements that the Group did not derecognize amounted to zero as at 31 December 2020 (as at 31 December 2019: none).

In addition, the Group has no debt securities and deposits with banks and other financial institutions pledged for meeting regulatory requirements or for derivative transactions.

#### (b) Collateral accepted

The Group accepted debt securities, bills and other assets as collateral in the purchase of assets under resale agreements. Certain collaterals can be resold or re-pledged. The Group has no collateral accepted that can be resold or re-pledged as at 31 December 2020 (31 December 2019: RMB1.1 billion). The Group has no collateral that is re-pledged and obligated to return as at 31 December 2020 (31 December 2019: none).

### 46 CREDIT RISK WEIGHTED AMOUNT OF FINANCIAL GUARANTEES AND CREDIT COMMITMENTS

	As at 31 December 2020	As at 31 December 2019
Financial guarantees and credit related commitments	<b>29,192,706</b>	35,576,210

The credit risk weighted amount refers to the amount as computed in accordance with the formula promulgated by the CBRC and depends on the status of the counterparty and the maturity characteristics. The risk weights used range from 0% to 100% for contingent liabilities and credit related commitments.

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## 47 BUSINESS COMBINATIONS

The Bank completed the acquisition of Target Businesses, Target Assets, Target Liabilities and Target Personnel from Baoshang Bank on 23 November 2020. The transaction is a business combination not under common control. Specific scope of which include:

### (1) Target business

- (i) The businesses of the Beijing, Shenzhen, Chengdu and Ningbo branches of Baoshang Bank (the "Four Branches") including 1) on-balance-sheet businesses and corresponding assets in the financial statements of the Four Branches including: corporate loans, retail loans, deposits business, trust loans, equity investments, bond investments, assets that should not be derecognized, interest receivable, other receivables, etc.; 2) off-balance-sheet businesses and assets in the financial statements of the Four Branches including: off-balance sheet acceptance bills, letters of guarantee and entrusted loans; 3) intermediary businesses of the Four Branches including: wealth management, funds, insurance, bonds, financial derivatives, trust and asset management products sold by Baoshang Bank as an agent; and 4) continuing businesses of the abovementioned businesses, including transactions which have been settled and those that were still in progress;
- (ii) The on- and off-balance-sheet corporate credit businesses of customers who are registered outside the Inner Mongolia Autonomous Region as well as the retail loan business and assets of the Four Branches;
- (iii) Credit card business and related assets in the locations of the Four Branches: specifically relating to credit cards issued by Baoshang Bank outside the Inner Mongolia Autonomous Region and related ongoing operations of these businesses, and
- (iv) In respect of the off-balance sheet wealth management business, the business and assets arising from clients that are registered outside the Inner Mongolia Autonomous Region including debts and equity investments of Baoshang Bank or the Four Branches in the form of trust loans, equity and bond investments made via special purpose vehicles in the ordinary course of business, and related ongoing operations of these businesses.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

## 47 BUSINESS COMBINATIONS (CONTINUED)

### (2) Target assets

- (i) The following assets as recorded in the financial statements of the Four Branches: on-balance-sheet assets including cash and balances with central bank, deposits and placements with interbanks, fixed assets, intangible assets, and repossessed assets;
- (ii) Assets held by the business department and the credit card business of the Four Branches; and
- (iii) Unexpired contracts relating to non-operating activities: mainly for the procurement of services that are needed by business segments, including the rights and obligations thereto.

### (3) Target liabilities

The liabilities of Baoshang Bank to be assumed by the Bank under Acquisition and Takeover Agreement on a basis date (31 Dec 2019) including: deposits placed with interbank and other financial institutions, customer deposits, employee remuneration payable, interest payable, provisions, other payables and other liabilities. It does not include liabilities of the custody business and the liabilities of the wealth management businesses carried out by the Four Branches.

### (4) Target personnel

Target Personnel include contract employees and dispatched employees, who have consented to the transfer of employment and labour relationship to the Bank, of the Four Branches in Beijing, Shenzhen, Chengdu and Ningbo (the "Four Regions") as registered with Baoshang Bank on 24 May 2019, personnel of the business divisions, the finance division and the financial market division of the headquarter as designated to be performing work for the Four Regions, as well as personnel of the credit card department and the sub-center of branch center of the Four Branches. The employees of the head office of Baoshang Bank working for the Four Regions (including executives of the head office, staff from the head office taking a temporary post at the branch, branch personnel training at the head office, selected employees from the business department of the head office and other departments of the head office). Personnel who are not involved or related to the target business, assets or liabilities have been excluded.

Based on the Acquisition and Takeover Agreement, all the obligations, responsibilities and risks which should have been assumed by the transferor under all relevant contracts of the Target Businesses, Target Assets, Target Liabilities and Target Personnel, together with all the expenses in relation to the Target Businesses, Target Assets, Target Liabilities and Target Personnel, whether existing or future, actual or contingent, have been assumed by the transferee from a basis date. The Acquisition and Takeover Agreement was signed on 23 November 2020, which has been determined as the acquisition date.

## Notes to the Consolidated Financial Statements

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### 47 BUSINESS COMBINATIONS (CONTINUED)

#### (4) Target personnel (Continued)

The fair values and carrying values of the identifiable assets and liabilities of the targets at the purchase date are as follows:

	As at 23 November 2020 fair values	As at 23 November 2020 carrying values
Loans and advances to customers	22,505,036	23,183,173
Financial assets at fair value through profit or loss	24,100,689	21,846,129
Financial assets at amortised cost	1,551,953	1,632,324
Interest receivables	370,724	1,032,551
Property, plant and equipment	2,192,093	2,192,093
Intangible assets	24,852	24,852
Right-of-use assets	102,948	102,948
Other assets	134,309	144,958
<b>Total assets</b>	<b>50,982,604</b>	<b>50,159,028</b>
Deposits from banks and other financial institutions	9,366,300	9,366,300
Deposits from customers	29,821,446	29,821,446
Interest payables	1,734,155	1,734,155
Payroll payables	4,620	4,620
Taxes payable	29,646	29,646
Provisions	47,966	7,025
Other liabilities	24,546,297	24,546,297
<b>Total liabilities</b>	<b>65,550,430</b>	<b>65,509,489</b>
Consideration paid	Zero	
Goodwill	14,567,826	

The book value of the net liabilities as of the acquisition date was RMB15,350,461 thousand, and the assessed fair value of the net liabilities was RMB14,567,826 thousand.

# Notes to the Consolidated Financial Statements

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## 47 BUSINESS COMBINATIONS (CONTINUED)

### (4) Target personnel (Continued)

The operating results and cash flows of the acquired targets from the purchase date to the end of the current year are listed as follows:

	<b>From date of acquisition to 31 December 2020</b>
Operating revenue	<b>146,414</b>
Net profit	<b>(930,111)</b>
Net cash flow	<b>298,091</b>

## 48 STRUCTURED ENTITIES

### (a) Unconsolidated structured entities managed by the Group

The unconsolidated structure entities managed by the Group are mainly wealth management products ("WMP") issued and managed by the Bank. The Group had not provided any guarantee or undertaking with regard to principal or returns for these products (Non-guaranteed wealth management products). Wealth management products were mainly invested in money market instruments, bonds and loan assets. The raised funds were invested in related financial markets or financial products in accordance with the product contracts. Returns would be allocated to investors based on the performance of the assets. The Group receives management fee as the manager of these wealth management products. As at 31 December 2020 and 31 December 2019, total wealth commission income the Group received were RMB1,426.56 million and RMB1,292.50 million respectively. The Group considered its variable returns from the structured entities are insignificant and hence they were not consolidated.

As at 31 December 2020, the carrying value of non-guaranteed wealth management products that the Group issued and managed was RMB201.83 billion (31 December 2019: RMB180.69 billion). As at 31 December 2020 the Group's maximum exposure to these unconsolidated structured entities was zero (31 December 2019: none). In 2020, the Group purchased financial assets from wealth management products not included in the scope of consolidation for a total of RMB2.29 billion.

There were no contractual liquidity arrangements, guarantees or other commitments among or between the Group, WMP vehicles or any third parties that could increase the level of the Group's risk or reduce its interest in WMP vehicles disclosed above. The Group is not required to absorb any losses incurred by WMPs before other parties. In the first half of 2020, no loss was incurred by the WMP vehicles relating to the Group's interests in the WMP vehicles, and the WMP vehicles did not experience difficulty in financing their activities.

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### 48 STRUCTURED ENTITIES (CONTINUED)

#### (b) Unconsolidated structured entities invested by the Group

To maximize the usage of capital, the Group enters into transactions with unconsolidated structured entities which include wealth management products, the trust fund and asset management plan schemes issued and managed by other independent third parties during the year ended 31 December 2020 and 31 December 2019. The Group classifies these assets into “debt instruments classified as receivables” or “available-for-sale financial assets” based on their nature. As the investor of these entities, the Group earns interest from these transactions. The Group has not provided any liquidity support to these unconsolidated structured entities during the year ended 31 December 2020 and 31 December 2019.

The table below shows the carrying value and scale of unconsolidated structured entities invested by the Group, as well as its maximum exposure to loss in relation to those interests.

	Carrying Value	Maximum Exposure to Loss
<b>At 31 December 2020</b>		
<b>Financial investments – at FVTPL</b>		
– Non-guaranteed wealth management products	13,508,907	13,508,907
– Trust fund and asset management plans	92,676,384	92,676,384
<b>Financial assets at amortised cost</b>		
– Trust fund and asset management plans	163,351,036	163,351,036
<b>At 31 December 2019</b>		
<b>Financial investments – at FVTPL</b>		
– Non-guaranteed wealth management products	20,220,583	20,220,583
– Trust fund and asset management plans	67,358,431	67,358,431
<b>Financial assets at amortised cost</b>		
– Trust fund and asset management plans	199,069,467	199,069,467

The information of total size of the unconsolidated structured entities listed above is not readily available.

#### (c) Consolidated structured entities

Consolidated structured entities include guaranteed wealth management products established and managed by the Group and the beneficial rights in trust and asset management plans over which the Group exercises investment decisions.

The Group did not provide liquidity support to these consolidated structured entities during the year ended 31 December 2020 and the year ended 31 December 2019.

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For the year ended 31 December 2020  
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### 49 CASH AND CASH EQUIVALENTS

- (a) For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprises the following balances with an original maturity of less than three months:

	As at 31 December 2020	As at 31 December 2019
Cash	1,215,801	1,025,001
Surplus reserve with the central bank	29,881,507	32,602,248
Deposits with banks and other financial institutions	11,298,071	12,068,933
<b>Total</b>	<b>42,395,379</b>	45,696,182

- (b) **Changes in liabilities arising from financing activities**

	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2020	183,242,708	137,486	851,241
Proceeds from issuance of debt securities	257,680,000	–	–
Interest paid on debt issued	(5,386,091)	–	–
Cash paid relating to debt repayments	(260,437,563)	–	–
Dividends paid on debt issued	–	(1,768,869)	–
Interest expense	5,536,641	–	147,142
Dividends declared	–	1,908,304	–
Cash paid relating to lease liabilities	–	–	(379,182)
Other changes in lease liabilities	–	–	344,965
<b>At 31 December 2020</b>	<b>180,635,695</b>	<b>276,921</b>	<b>964,166</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

### 49 CASH AND CASH EQUIVALENTS (CONTINUED)

#### (b) Changes in liabilities arising from financing activities (Continued)

	Debt securities issued	Dividends payable	Lease liabilities
At 1 January 2019	91,443,925	126,527	958,461
Proceeds from issuance of debt securities	204,430,000	–	–
Interest paid on debt issued	(4,586,881)	–	–
Cash paid relating to debt repayments	(199,062,931)	–	–
Dividends paid on debt issued	–	(669,709)	–
Interest expense	4,799,737	–	39,976
Dividends declared	–	680,668	–
Cash paid relating to lease liabilities	–	–	(316,954)
Other changes in lease liabilities	–	–	169,758
Interbank certificates of deposit designated as fair value through profit or loss	86,218,858	–	–
At 31 December 2019	183,242,708	137,486	851,241

### 50 CREDIT ASSETS SECURITIZATION TRANSACTIONS

The Group enters into credit asset transfers in the normal course of business during which it transfers credit assets to special purpose entities which in turn issue asset-backed securities or fund shares to investors. The Group may acquire some asset-backed securities and fund shares at the subordinated tranche level and accordingly, may retain parts of the risks and rewards of the transferred credit assets. The Group would determine whether or not to derecognise the associated credit assets by evaluating the extent to which it retains the risks and rewards of the assets.

With respect to the credit assets that were securitised and qualified for derecognition, the Group derecognised the transferred credit assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitisation transactions was RMB0.90 billion as at 31 December 2020 (31 December 2019: RMB0.60 billion), which also approximates the Group's maximum exposure to loss.

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the transferred credit assets are recognised in the statement of financial position to the extent of the Group's continuing involvement. For the year ended 31 December 2020, the carrying amount at the time of transfer of the original credit assets, in which the Group determined that it has continuing involvement through acquiring some tranches, was RMB8.88 billion (for the year ended 31 December 2019: RMB2.46 billion) and the carrying amount of assets that the Group continues to recognise in the statement of financial position was RMB2.05 billion as at 31 December 2020 (31 December 2019: RMB0.30 billion).

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

## 51 RELATED PARTY TRANSACTIONS

### (1) Related parties

The table below lists the major related legal entities of the Group with a shareholding ratio greater than 5% in 2020:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Zhongjing Xinhua asset management Co., Ltd.	Major shareholder	Huangshan, Anhui	GAO YANG	2,875,000	Enterprise investment management, merger and acquisition	12.10%
Anhui Province Energy Group Co., Ltd.	Major shareholder	Hefei, Anhui	Zhu Yicun	4,375,000	Financing and investment management of energy construction	11.08%
China Vanke Co., Ltd.	Major shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development	8.00%
Anhui Guoyuan Financial Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Fang Xu	6,000,000	Capital operation and asset management	7.19%
Anhui Credit Guaranty Group Co., Ltd.	Major shareholder	Hefei, Anhui	Yan Chen	18,686,000	Financing guarantee	6.83%

Note: The group issued 1,735,000,000 domestic shares on 30 December 2020 for a consideration of RMB9,863.75 million. The shares corresponding to the capital increase mentioned above were registered with CSDC on 4 January 2021. Therefore, the capital increase was not reflected in the table above.

After the completion of the capital increase, the major shareholders who directly or indirectly hold 5% or more of the bank's shares and their shareholding ratio are Deposit Insurance Fund Management Co., Ltd (11.22%), Zhongjing Xinhua asset management Co., Ltd. (10.59%), Anhui Province Energy Group Co., Ltd. (9.70%), China Vanke Co., Ltd. (7.00%), Anhui Guoyuan Financial Holding Group Co., Ltd. (6.29%), Anhui Credit Guaranty Group Co., Ltd. (5.98%), and Anhui Communications Holding Group Co., Ltd (5.01%).

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## 51 RELATED PARTY TRANSACTIONS (CONTINUED)

### (1) Related parties (Continued)

The table below listed major related legal entities of the Group with a shareholding ratio greater than 5% in 2019:

Major related legal entities with the Group	Relationship with the Group	Location of registration	Legal representative	Registered capital	Principal activities	Share percentage (%)
Zhongjing Xinhua asset management Co., Ltd.	Major shareholder	Huangshan, Anhui	GAO YANG	2,875,000	Enterprise investment management, merger and acquisition	12.10%
Anhui Province Energy Group Co., Ltd.	Major shareholder	Hefei, Anhui	Zhu Yicun	4,375,000	Financing and investment management of energy construction	11.08%
China Vanke Co., Ltd.	Major shareholder	Shenzhen, Guangdong	Yu Liang	10,995,210	Real estate development	8.00%
Anhui Guoyuan Financial Holding Group Co., Ltd.	Major shareholder	Hefei, Anhui	Fang Xu	3,000,000	Capital operation and asset management	7.19%
Anhui Credit Guaranty Group Co., Ltd.	Major shareholder	Hefei, Anhui	Yan Chen	18,686,000	Financing guarantee	6.83%

Note: Anhui Guoyuan Holdings (Group) Co., Ltd. was renamed Anhui Guoyuan Financial Holding Group Co., Ltd. on July 18, 2018.

### (2) Related party transactions and balances

Related-party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

#### (a) Transactions with major shareholders and balances

As at balance sheet dates stated below, the balances and interest rate ranges of transactions with major shareholders of the Group are as follows:

	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Loans and advances to customers	2,977,575	0.54%	2,362,000	0.52%
Financial assets	30,000	0.01%	1,480,000	0.31%
Placements from banks and other financial institutions	92,014	0.10%	75,562	0.07%
Deposits from customers	30,868,858	4.25%	683,472	0.11%
Bank acceptance	37,648	0.09%	5,457	0.01%
Letters of guarantee issued	–	–	205	0.01%



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For the year ended 31 December 2020  
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### 51 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (2) Related party transactions and balances (Continued)

##### (a) Transactions with major shareholders and balances (Continued)

	As at 31 December 2020	As at 31 December 2019
Loans and advances to customers	4.70%-5.70%	3.96%-4.75%
Placements from banks and other financial institutions	0.30%-3.00%	0.30%-3.00%
Deposits from customers	0.30%-1.89%	0.3%-2.10%

As for the years stated below, the interest income and expense of loans and deposits and management fee of asset management plans with respect to major shareholders are as follows:

	2020		2019	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	259,534	0.51%	105,353	0.22%
Interest expense	254,696	1.00%	4,339	0.02%
Management fee of asset management plans	3,701	1.07%	6,942	2.22%

##### (b) Transactions with other related parties and balances

As at the balance sheet date stated below, the balances and interest rate ranges of transactions with other related parties of the Group are as follows:

	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Loans and advances to customers	1,928,790	0.35%	2,626,573	0.58%
Financial assets	950,000	0.19%	1,602,000	0.34%
Placements from banks and other financial institutions	3,100,454	3.30%	73,523	0.07%
Deposits from customers	3,474,918	0.48%	3,878,552	0.64%
Bank acceptance	595,000	1.48%	200,000	0.54%
Letters of guarantee issued	672	0.01%	-	-
Letters of credit issued	1,915,000	30.58%	13,723	0.16%

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### 51 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (2) Related party transactions and balances (Continued)

##### (b) Transactions with other related parties and balances (Continued)

	As at 31 December 2020	As at 31 December 2019
Loans and advances to customers	<b>2.30%-6.17%</b>	3.63%-5.23%
Placements from banks and other financial institutions	<b>0.30%-0.49%</b>	0.30%-1.95%
Deposits from customers	<b>0.30%-3.99%</b>	0.30%-4.53%

The interest income and expense of loans and deposits with respect to other related parties are as follows:

	2020		2019	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest income	<b>162,586</b>	<b>0.32%</b>	113,892	0.24%
Interest expense	<b>46,259</b>	<b>0.18%</b>	56,535	0.24%

##### (c) Transactions with associates

As at balance sheet dates stated below, the balances and interest rate ranges of transactions with associates of the Group are as follows:

	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Placements with and loans to banks and other financial institutions	<b>1,000,000</b>	<b>18.95%</b>	1,300,000	27.44%
Financial assets	<b>876,000</b>	<b>0.17%</b>	102,080	0.02%
Placements from banks and other financial institutions	<b>68,032</b>	<b>0.07%</b>	49,088	0.04%

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### 51 RELATED PARTY TRANSACTIONS (CONTINUED)

#### (2) Related party transactions and balances (Continued)

##### (c) Transactions with associates (Continued)

	As at 31 December 2020	As at 31 December 2019
Placements with and loans to banks and other financial institutions	3.50%	4.48%-5.30%
Placements from banks and other financial institutions	0.72%-1.08%	0.72%-1.08%

The interest income and expense of loans and deposits with respect to associates are as follows:

	As at 31 December 2020		As at 31 December 2019	
	Amount	Percentage of total similar transactions	Amount	Percentage of total similar transactions
Interest expense	50	0.01%	67	0.01%

##### (d) Balances and transactions between the Group and the following major shareholders and entities under their control

	2020	2019
Emoluments for directors, supervisors and senior management	22,758	23,850
	2020	2019
Balances at the end of the year		
Loans and advances to customers	5,345	1,168
Deposits from customers	2,111	5,862
	2020	2019
Transactions during the year		
Interest income	547	274
Interest expense	3	668

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## 52 SEGMENT ANALYSIS

The Group manages the business from both the business and geographic perspectives. From the business perspective, the Group provides services through four main business segments listed below:

### **Corporate banking**

Services to corporate customers, government authorities and financial institutions including current accounts, deposits, overdrafts, loans, trade related products and other credit facilities, foreign currency, and wealth management products.

### **Retail banking**

Services to retail customers including savings deposits, personal loans and advances, credit cards and debit cards, payments and settlements, wealth management products and funds and insurance agency services.

### **Treasury**

Conducts securities investment, money market and repurchase transactions. The results of this segment include the intersegment funding income and expenses, resulting from interest bearing assets and liabilities and foreign currency translation gains and losses.

### **Others**

Comprise investment holding and other miscellaneous activities, none of which constitutes a separately reportable segment.

Geographically, the Group mainly conducts its business in the PRC with its branches open in Anhui Province and the Yangtze River Delta area. When presenting information based on geographic areas, revenue is classified by the location where the branches are located; assets and liabilities and capital expense of segments are classified by the branch to which they belong.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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### 52 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2020				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	20,433,378	11,654,888	19,221,693	-	51,309,959
Net interest expense to external customers	(7,645,010)	(5,549,689)	(12,363,059)	-	(25,557,758)
Intersegment net interest income/(expense)	973,362	368,375	(1,341,737)	-	-
<b>Net interest income</b>	<b>13,761,730</b>	<b>6,473,574</b>	<b>5,516,897</b>	<b>-</b>	<b>25,752,201</b>
<b>Net fee and commission income</b>	<b>2,541,804</b>	<b>98,848</b>	<b>975,893</b>	<b>-</b>	<b>3,616,545</b>
Net trading gains	-	-	2,496,536	-	2,496,536
Net gains from investment securities	-	-	169,099	-	169,099
Dividend income	-	-	1,440	-	1,440
Other operating income	-	-	104,377	150,200	254,577
Operating expenses	(1,487,311)	(383,690)	(5,578,935)	(204,388)	(7,654,324)
– Depreciation and amortization	(573,034)	(233,781)	(32,901)	(2,598)	(842,314)
Impairment losses on credits	(8,088,007)	(3,437,007)	(733,757)	-	(12,258,771)
Impairment losses on assets	61,911	-	-	-	61,911
Share of profits of associates	-	-	-	(356,518)	(356,518)
<b>Profit before income tax</b>	<b>6,790,127</b>	<b>2,751,725</b>	<b>2,951,550</b>	<b>(410,706)</b>	<b>12,082,696</b>
<b>Capital expenditure</b>	<b>612,601</b>	<b>308,914</b>	<b>43,475</b>	<b>3,433</b>	<b>968,423</b>

	As at 31 December 2020				
	Corporate banking	Retail banking	Treasury	Others	Total
<b>Segment assets</b>	<b>399,401,943</b>	<b>253,959,614</b>	<b>604,137,431</b>	<b>4,474,260</b>	<b>1,261,973,248</b>
<i>Including: investments in associates</i>				4,474,260	4,474,260
<b>Deferred tax assets</b>	-	-	-	-	9,727,450
<b>Total assets</b>					<b>1,271,700,698</b>
<b>Segment liabilities</b>	<b>(503,411,145)</b>	<b>(231,789,207)</b>	<b>(425,088,082)</b>	<b>(5,739,625)</b>	<b>(1,166,028,059)</b>
<b>Off-balance sheet credit commitments</b>	<b>81,168,093</b>	<b>24,972,276</b>	-	-	<b>106,140,369</b>

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### 52 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2019				
	Corporate banking	Retail banking	Treasury	Others	Total
Net interest income from external customers	17,512,992	9,918,802	21,011,734	–	48,443,528
Net interest expense to external customers	(6,265,076)	(3,828,111)	(13,009,587)	–	(23,102,774)
Intersegment net interest income/(expense)	1,195,372	88,968	(1,284,340)	–	–
<b>Net interest income</b>	<b>12,443,288</b>	<b>6,179,659</b>	<b>6,717,807</b>	<b>–</b>	<b>25,340,754</b>
<b>Net fee and commission income</b>	<b>2,144,093</b>	<b>47,368</b>	<b>1,357,752</b>	<b>–</b>	<b>3,549,213</b>
Net trading gains	–	–	2,099,853	–	2,099,853
Net gains from investment securities	–	–	85,331	–	85,331
Dividend income	–	–	1,200	–	1,200
Other operating income	–	–	17,504	65,463	82,967
Operating expenses	(3,327,900)	(3,104,982)	(628,423)	(30,470)	(7,091,775)
– Depreciation and amortization	(372,051)	(330,697)	(27,147)	(766)	(730,661)
Impairment losses on credits	(4,566,148)	(1,229,833)	(6,101,281)	–	(11,897,262)
Impairment losses on assets	(22,824)	–	–	–	(22,824)
Share of profits of associates	–	–	–	153,360	153,360
<b>Profit before income tax</b>	<b>6,670,509</b>	<b>1,892,212</b>	<b>3,549,743</b>	<b>188,353</b>	<b>12,300,817</b>
<b>Capital expenditure</b>	<b>292,847</b>	<b>130,668</b>	<b>19,631</b>	<b>554</b>	<b>443,700</b>

	As at 31 December 2019				
	Corporate banking	Retail banking	Treasury	Others	Total
<b>Segment assets</b>	<b>343,656,728</b>	<b>199,039,583</b>	<b>579,461,389</b>	<b>1,401,909</b>	<b>1,123,559,609</b>
<i>Including: investments in associates</i>	–	–	–	1,242,338	1,242,338
<b>Deferred tax assets</b>					<b>8,161,629</b>
<b>Total assets</b>					<b>1,131,721,238</b>
<b>Segment liabilities</b>	<b>(440,268,953)</b>	<b>(171,744,577)</b>	<b>(425,582,522)</b>	<b>(4,631,557)</b>	<b>(1,042,227,609)</b>
<b>Off-balance sheet credit commitments</b>	<b>68,796,635</b>	<b>22,223,693</b>	<b>–</b>	<b>–</b>	<b>91,020,328</b>

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### 52 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2020					Total
	Anhui Province	Jiangsu Province	Head Office	Other	Intersegment eliminations	
Net interest income from external customers	37,314,285	2,067,482	11,749,878	178,314	-	51,309,959
Net interest expense to external customers	(19,950,192)	(920,683)	(4,500,607)	(186,176)	-	(25,557,758)
Intersegment net interest income/(expense)	1,281,845	59,892	(1,341,737)	-	-	-
<b>Net interest income</b>	<b>18,645,838</b>	<b>1,206,691</b>	<b>5,907,534</b>	<b>(7,862)</b>	<b>-</b>	<b>25,752,201</b>
<b>Net fee and commission income</b>	<b>2,836,375</b>	<b>132,525</b>	<b>647,825</b>	<b>(180)</b>	<b>-</b>	<b>3,616,545</b>
Net trading gains	1,957,868	91,478	447,174	16	-	2,496,536
Net gains from investment securities	132,614	6,196	(113,822)	144,111	-	169,099
Dividend income	1,129	53	258	-	-	1,440
Other operating income	198,850	9,291	45,417	1,019	-	254,577
Operating expenses	(5,740,536)	(268,216)	(1,311,131)	(334,441)	-	(7,654,324)
– Depreciation and amortization	(222,647)	(2,147)	(616,902)	(618)	-	(842,314)
Impairment losses on credits	(8,936,458)	(414,647)	(2,026,935)	(880,731)	-	(12,258,771)
Impairment losses on assets	61,911	-	-	-	-	61,911
Share of profits of associates	-	-	(356,518)	-	-	(356,518)
<b>Profit before income tax</b>	<b>9,157,591</b>	<b>763,371</b>	<b>3,239,802</b>	<b>(1,078,068)</b>	<b>-</b>	<b>12,082,696</b>
<b>Capital expenditure</b>	<b>748,470</b>	<b>35,485</b>	<b>173,463</b>	<b>11,005</b>	<b>-</b>	<b>968,423</b>

	As at 31 December 2020					Total
	Anhui Province	Jiangsu Province	Head Office	Other	Intersegment eliminations	
<b>Segment assets</b>	<b>763,576,680</b>	<b>45,418,730</b>	<b>409,003,974</b>	<b>54,394,388</b>	<b>(10,420,524)</b>	<b>1,261,973,248</b>
<i>Including: investments in associates</i>	-	-	4,474,260	-	-	4,474,260
<b>Deferred tax assets</b>						<b>9,727,450</b>
<b>Total assets</b>						<b>1,271,700,698</b>
<b>Segment liabilities</b>	<b>(750,248,169)</b>	<b>(44,307,862)</b>	<b>(323,196,230)</b>	<b>(54,814,746)</b>	<b>6,538,948</b>	<b>(1,166,028,059)</b>
<b>Off-balance sheet credit commitments</b>	<b>91,098,914</b>	<b>15,015,881</b>	<b>25,574</b>	<b>-</b>	<b>-</b>	<b>106,140,369</b>

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### 52 SEGMENT ANALYSIS (CONTINUED)

	For the year ended 31 December 2019				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
Net interest income from external customers	33,250,277	2,917,327	12,275,924	–	48,443,528
Net interest expense to external customers	(16,060,900)	(1,409,158)	(5,632,716)	–	(23,102,774)
Intersegment net interest income/(expense)	1,180,743	103,597	(1,284,340)	–	–
<b>Net interest income</b>	18,370,120	1,611,766	5,358,868	–	25,340,754
<b>Net fee and commission income</b>	2,894,740	253,981	400,492	–	3,549,213
Net trading gains	1,459,805	128,080	511,968	–	2,099,853
Net gains from investment securities	59,322	5,204	20,805	–	85,331
Dividend income	834	73	293	–	1,200
Other operating income	57,677	5,062	20,228	–	82,967
Operating expenses	(6,430,156)	(432,564)	(229,055)	–	(7,091,775)
– Depreciation and amortization	(552,739)	(3,974)	(173,948)	–	(730,661)
Impairment losses on credits	(8,263,943)	(727,068)	(2,906,251)	–	(11,897,262)
Impairment losses on assets	(22,824)	–	–	–	(22,824)
Share of profits of associates	–	–	153,360	–	153,360
<b>Profit before income tax</b>	8,125,575	844,534	3,330,708	–	12,300,817
<b>Capital expenditure</b>	308,457	27,064	108,179	–	443,700

	As at 31 December 2019				
	Anhui Province	Pan Yangtze River Delta	Head Office	Intersegment eliminations	Total
<b>Segment assets</b>	637,330,969	66,509,544	424,672,116	(4,953,020)	1,123,559,609
<i>Including: investments in associates</i>	–	–	1,242,338	–	1,242,338
<b>Deferred tax assets</b>					8,161,629
<b>Total assets</b>					1,131,721,238
<b>Segment liabilities</b>	(623,220,841)	(65,250,606)	(358,709,182)	4,953,020	(1,042,227,609)
<b>Off-balance sheet credit commitments</b>	87,184,277	3,813,151	22,900	–	91,020,328

There were no material transactions with a single external customer that the Group mainly relies on.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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## 53 FINANCIAL RISK MANAGEMENT

### Overview

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in the business. The Group's aim is therefore to achieve an appropriate balance between risks and return and minimize potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems.

The most important types of risks are credit risk, liquidity risk and market risk which also includes currency risk and interest rate risk.

The Board of Directors is the responsible for establishing the overall risk appetite of the Group. Management establishes corresponding risk management policies and procedures covering areas of credit risk, market risk and liquidity risk under the risk appetite approved by the Board of Directors.

### 53.1 Credit risk

The Group takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk increases when counterparties are within similar industry segments or geographical regions. Credit exposures arise principally in loans and advances to banks, customers and securities. There is also credit risk in off-balance sheet financial arrangements: such as loan commitments. The Group mainly conducts its business in Anhui Province of the PRC, indicating a concentration risk in the Group's credit portfolio which makes it vulnerable to economic changes in the region. Management therefore carefully manages its exposure to credit risks. The credit risk management and control are centralized in the Risk Management Department of Head Office and reported to management regularly.

# Notes to the Consolidated Financial Statements

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.1 Credit risk measurement

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to the present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECLs by three stages:

- Stage 1: Financial instruments without significant increases in credit risk after initial recognition are included in Stage 1 to calculate their impairment allowance at an amount equivalent to the ECLs of the financial instrument for the next 12 months;
- Stage 2: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage 2, with their impairment allowance measured at an amount equivalent to the ECLs over the lifetime of the financial instruments;
- Stage 3: Financial assets with objective evidence of impairment at the balance sheet date are included in Stage 3, with their impairment allowance measured at the amount equivalent to the ECLs for the lifetime of the financial instruments.

For the previous accounting period, the impairment allowance has been measured at the amount equivalent to the ECLs over the entire lifetime of the financial instrument. However, at the balance sheet date of the current year, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance for the financial instruments on the balance sheet date of the current year according to the ECL in the next 12 months.

The Group shall measure ECLs on a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money;
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic condition.

# Notes to the Consolidated Financial Statements

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.1 Credit risk measurement (Continued)

When measuring ECLs, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of occurrence of a credit loss is very low.

The Group conducted an assessment of ECLs according to forward-looking information and used complex models and assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by customers and the corresponding losses). The Group adopts judgement, assumptions and estimation techniques in order to measure ECLs according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial assets
- Parameters for measuring ECLs
- Forward-looking information
- Modification of contractual cash flows

#### *Criteria for judging significant increases in credit risk*

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each balance sheet date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort, including qualitative and quantitative analysis based on the historical data of the Group, external credit risk rating, and forward-looking information. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on the balance sheet date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments.

The Group considers a financial instrument to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

#### Quantitative criteria

- At the reporting date, the increase in the remaining lifetime probability of default is considered to be significant, comparing with the one at initial recognition

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.1 Credit risk measurement (Continued)

*Criteria for judging significant increases in credit risk (Continued)*

Qualitative criteria (Continued)

- Significant adverse change in debtor's operation or financial status
- Be classified into Special Mention category within five-tier loan classification
- Be listed on the watch-list

Backstop criteria

- The debtor's contractual payments (including principal or interest) are more than 30 days and no more than 90 days past due

*Definition of credit-impaired financial assets*

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument, taking into account quantitative and qualitative criteria. When the Group assesses whether the credit impairment of debtor occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses;
- The debtor leaves any of the principal, advances, interest or investments in corporate bonds of the Group overdue for more than 90 days.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event.

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For the year ended 31 December 2020

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.1 Credit risk measurement (Continued)

##### *Parameters for ECL measurement*

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets based on 12-month ECLs or lifetime ECLs. The key measuring parameters of ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the current New Basel Capital Accord used in risk management and the requirements of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties, manners of guarantees and types of collaterals, repayments, etc.) and forward-looking information in order to establish the model of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment over the next 12 months or throughout the entire remaining lifetime. The Group's PD is adjusted based on the results of the Internal Rating-Based Approach under the New Basel Capital Accord, taking into account the forward-looking information and deducting the prudential adjustment to reflect the debtor's point-in-time (PIT) PD under the current macroeconomic environment;
- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure. Depending on the type of counterparty, the method and priority of the recourse, and the type of collaterals, the LGD varies. The LGD is the percentage of loss on risk exposure at the time of default, calculated over the next 12 months or over the entire remaining lifetime;
- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

##### *Forward-looking information*

The assessment of a significant increase in credit risk and the calculation of ECLs both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECLs of various business types, such as gross domestic production(seasonal), industrial-value added(monthly), consumer price index, producer price index, private fixed asset investment, total retail sale of consumer goods, measure of money supply, new loans in RMB.

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.1 Credit risk measurement (Continued)

##### *Forward-looking information (Continued)*

The impact of these economic indicators on the PD and the LGD varies according to different types of business. The Group applied experts' judgement in this process, according to the result of experts' judgement, the Group predicts these economic indicators on a quarterly basis and determines the impact of these economic indicators on the PD and the LGD by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines statistical analysis with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (stage 1) or life time (stage 2 and stage 3). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

##### *Modification of contractual cash flows*

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in the derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of the modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL), at the same time, the calculation basis of the loss allowance was changed from the expected credit loss of the entire duration to the expected credit loss of 12 months, when the assets have met specific criteria after a period of observation. As at 31 December 2020, the carrying amount of financial assets with such modified contractual cash flows was not significant.

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For the year ended 31 December 2020  
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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.1 Credit risk measurement (Continued)

##### *Modification of contractual cash flows (Continued)*

(i) Loans and advances and off-balance sheet commitments

The Group has developed five-category classification system for credit assets to measure and manage the quality of the Group's credit assets in accordance with the CBRC's guidelines for the classification of loan risks. The five-category classification system and the guidelines for loan risk classification require that credit assets, both within and off the balance sheet, be divided into pass, special mention, sub-standard, doubtful and loss, of which the latter three types of loans are considered non-performing loans.

The core definition of credit asset classification in the guidelines for the classification of loan risks is:

Pass: loans for which borrowers can honor the terms of the contracts, and there is no reason to doubt their ability to repay principal and interest of loans in full and on a timely basis.

Special Mention: loans for which borrowers are still able to service the loans currently, although the repayment of loans might be adversely affected by some factors.

Sub Standard: loans for which borrowers' ability to service the loans is apparently in question and borrowers cannot depend on their normal business revenues to pay back the principal and interest of loans. Certain losses might be incurred by the Group even when guarantees are executed.

Doubtful: The borrower is unable to repay the loan principal and interest in full, and even if the guarantee is executed, it will certainly cause a great loss.

Loss: After all possible measures or all necessary legal proceedings have been taken, the principal and interest remain uncollectible or can only be recovered in very few parts.

(ii) Debt securities and other bills

The Group manages the credit risk through restriction on the types of and management of issuers of debt securities and other bills invested. So far, the Group holds no foreign currency bonds.

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.1 Credit risk measurement (Continued)

##### *Modification of contractual cash flows (Continued)*

- (iii) Deposits with banks and other financial institutions, Placements with banks and other financial institutions and Financial assets held under resale agreements

The Group's Head Office executes regular review and management of credit risk related to individual financial institutions, and sets credit lines for individual banks and other financial institutions that it conducts business with.

- (iv) Other financial assets classified as measured at amortized costs

Other financial assets classified as measured at amortized cost include interbank financial products, fund trust schemes and asset management schemes issued by bank financial institutions. The Group implements a rating access system for cooperating trust companies, securities companies and fund companies, and conducts regular follow-up risk management.

#### 53.1.2 Risk limit control and mitigation policies

The Group manages and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and groups, and to industries and regions. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

The Group implements a first-level legal person management system. The Group grants branches and business departments operational authority from Head Office. Based on the status of geographical economy, management level of branches, types of credit products, types of credit rating, collateral type, and scale of customers, Head Office gives dynamic authority to its branches with respect to credit business. Such authorities are monitored on a revolving basis and subject to a regular review to make sure operations of the branches are within limits of authority granted.



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.2 Risk limit control and mitigation policies (Continued)

##### (i) Credit risk mitigation policies

The Group employs a range of policies and practices to mitigate credit risk. The most prevalent of these is taken by the Group include the taking of physical or cash collateral, cash deposit and corporate or individual guarantees.

The Group implements guidelines on the acceptability of specific classes of collateral. The principal collateral types are:

- Property and land use rights
- General movable assets
- Time deposit certificates, debt securities and commodity warehouse receipts, etc.

The fair value of collateral should be assessed by professional valuation firms appointed by the Group. The Group has set maximum loan-to-value ratio (ratio of loan balances against fair value of collateral) for different collaterals. The principal collateral types and maximum loan-to-value ratio for corporate and personal loans and advances are as follows:

Collateral	Maximum loan-to-value ratio
Residential property, commercial property, and construction land use rights	70%
Office buildings	60%
General movable assets	50%
RMB deposit receipts, bank notes, government bonds	90%
Debt securities issued by financial institutions	80%
Commodity warehouse receipts	60%

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

##### (ii) Credit-related off-balance sheet commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees are irrevocable commitments made by the Group for which the Group must make payments to the third party when its customers fail to satisfy this obligation. Hence, the Group carries the same credit risks as loans. The Group usually takes cash collateral to mitigate such credit risk. The Group's maximum exposure to credit risk equals the total amount of credit-related off-balance sheet commitments.

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For the year ended 31 December 2020  
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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.1 Credit risk (Continued)

##### 53.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements

	As at 31 December 2020	As at 31 December 2019
<b>Credit risk exposures relating to on-balance sheet financial assets are as follows:</b>		
Balances with the central bank	97,168,400	90,946,253
Deposits with banks and other financial institutions	11,298,071	14,254,228
Placements with banks and other financial institutions	5,276,712	4,737,805
Derivative financial assets	137,998	235,406
Financial assets held under resale agreements	249,376	28,651,227
Loans and advances to customers	553,399,162	450,419,777
Investment securities – financial assets at fair value through profit or loss	123,050,846	95,225,453
Investment securities – financial assets at fair value through other comprehensive income	120,331,283	102,995,517
Investment securities – financial assets at amortised cost	266,910,064	278,852,511
Finance lease receivables	49,053,964	43,949,191
Other financial assets	3,214,469	6,188,901
<b>Total</b>	<b>1,230,090,345</b>	<b>1,116,456,269</b>
<b>Credit risk exposures in relation to off-balance sheet items are as follows:</b>		
Bank acceptance	40,303,011	36,775,576
Letters of credit	6,262,490	8,514,842
Letters of guarantee	15,645,344	20,357,013
Loan commitments	1,711,011	848,660
Unused credit card lines	42,218,513	24,524,237
<b>Total</b>	<b>106,140,369</b>	<b>91,020,328</b>

The above table represents the worst-case scenario of credit risk exposure to the Group at 31 December 2020 and 31 December 2019, without taking into account any collateral held or other credit enhancements attached. For on-balance-sheet assets, the exposures set out above are based on net carrying amounts as reported in the consolidated statement of financial position.

As mentioned above, 43.52% of on-balance-sheet exposure is attributable to loans and advances to customers (31 December 2019: 40.33%).

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.3 Maximum exposure to credit risk before collateral held or other credit enhancements (Continued)

Management is confident in its ability to continue to control and sustain the Group's minimal exposure to credit risk from its loans and advances portfolio based on the following:

- 96.82% of the loans and advances are categorized as Pass in the five-category system (31 December 2019: 97.45%);
- Collateralized loans and mortgage loans, which represent the largest group in the corporate and retail portfolio respectively, are secured by collateral; and
- 97.65% of the loans and advances are considered to be neither past due nor impaired (31 December 2019: 98.55%)

#### 53.1.4 Deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements

Their credit risk can be evaluated based on the credibility of the counterparties.

	As at 31 December 2020	As at 31 December 2019
Commercial banks in Chinese mainland	9,219,486	29,845,042
Other financial institutions in Chinese mainland	5,946,109	14,189,754
Commercial banks outside Chinese mainland	1,658,564	3,608,464
<b>Total</b>	<b>16,824,159</b>	<b>47,643,260</b>

## Notes to the Consolidated Financial Statements

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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.1 Credit risk (Continued)

##### 53.1.5 Loans and advances to customers

*Loans and advances three-staging exposure*

Loans and advances to customers (excluding interest receivable) by five-category loan classification and three-staging analysed as follows:

	As at 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
Pass	552,542,909	2,200,463	–	554,743,372
Special-mention	–	6,852,208	–	6,852,208
Loss	–	–	11,358,061	11,358,061
<b>Total</b>	<b>552,542,909</b>	<b>9,052,671</b>	<b>11,358,061</b>	<b>572,953,641</b>

	As at 31 December 2019			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL- impaired)	
Pass	447,337,963	4,836,502	–	452,174,465
Special-mention	–	6,995,996	–	6,995,996
Loss	–	–	4,814,658	4,814,658
<b>Total</b>	<b>447,337,963</b>	<b>11,832,498</b>	<b>4,814,658</b>	<b>463,985,119</b>

# Notes to the Consolidated Financial Statements

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.5 Loans and advances to customers (Continued)

##### (a) Analysis of loans and advances to customers by industry

Concentrations of credit risk of loans and advances to customers by industry are analysed as follows:

	As at 31 December 2020		As at 31 December 2019	
	Amount	%	Amount	%
Corporate loans				
Commerce and service	<b>53,886,196</b>	<b>9</b>	50,085,752	10
Manufacturing	<b>53,325,454</b>	<b>9</b>	44,841,449	9
Public utilities	<b>137,275,043</b>	<b>22</b>	96,487,469	20
Real estate	<b>26,944,583</b>	<b>5</b>	18,942,685	4
Construction	<b>26,722,318</b>	<b>5</b>	27,650,318	6
Transportation	<b>7,321,525</b>	<b>1</b>	6,354,974	1
Energy and chemistry	<b>12,000,230</b>	<b>2</b>	10,231,011	2
Catering and travelling	<b>874,917</b>	<b>1</b>	1,051,283	1
Education and media	<b>2,269,525</b>	<b>1</b>	1,379,677	1
Financial services	<b>2,914,720</b>	<b>1</b>	5,316,378	1
Others	<b>1,577,776</b>	<b>1</b>	1,441,667	1
Discounted bills	<b>27,759,091</b>	<b>5</b>	21,870,165	5
Subtotal	<b>352,871,378</b>	<b>62</b>	285,652,828	61
Personal loans and advances				
Mortgages	<b>112,373,339</b>	<b>19</b>	90,030,552	20
Revolving loans for private business	<b>6,460,324</b>	<b>1</b>	6,634,323	1
Others	<b>101,248,600</b>	<b>18</b>	81,667,416	18
Subtotal	<b>220,082,263</b>	<b>38</b>	178,332,291	39
Total loans and advances to customers, before impairment allowance	<b>572,953,641</b>	<b>100</b>	463,985,119	100

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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.1 Credit risk (Continued)

##### 53.1.5 Loans and advances to customers (Continued)

###### (b) Analysis of loans and advances to customers by collateral type

The contractual amounts of loans and advances to customers are analyzed by security type as follows:

	As at 31 December 2020	As at 31 December 2019
Unsecured	116,125,407	89,147,529
Guaranteed	102,482,864	67,868,488
Collateralized	201,989,631	167,388,733
Pledged	152,355,739	139,580,369
Total loans and advances to customers	572,953,641	463,985,119

###### (c) Analysis of loans and advances to customers by geographical area

	As at 31 December 2020			As at 31 December 2019		
	Total	%	NPL ratio	Total	%	NPL ratio
Anhui Province	504,557,431	88.06%	1.55%	422,457,526	91.05%	1.07%
Jiang Su	46,398,552	8.10%	3.60%	41,527,593	8.95%	0.74%
Others	21,997,658	3.84%	8.50%	-	-	-
Total loans and advances to customers	572,953,641	100.00%	1.98%	463,985,119	100.00%	1.04%

###### (d) Analysis of loans and advances to customers by overdue and impaired status

	As at 31 December 2020		As at 31 December 2019	
	Corporate loans	Personal loans and advances	Corporate loans	Personal loans and advances
Neither overdue nor impaired <sup>(e)</sup>	342,055,311	217,407,576	281,146,371	176,110,637
Overdue but not impaired <sup>(f)</sup>	987,161	1,145,532	669,833	1,243,620
Impaired <sup>(g)</sup>	9,828,906	1,529,155	3,836,624	978,034
Total	352,871,378	220,082,263	285,652,828	178,332,291
Less: impairment allowance	(14,658,567)	(5,993,567)	(11,843,606)	(2,677,787)
Net	338,212,811	214,088,696	273,809,222	175,654,504

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.1 Credit risk (Continued)

##### 53.1.5 Loans and advances to customers (Continued)

(e) Loans and advances neither past due nor impaired

#### As at 31 December 2020

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	309,107,774	5,188,446	314,296,220
– Discounted bills	27,759,091	–	27,759,091
Subtotal	336,866,865	5,188,446	342,055,311
Personal loans and advances	217,195,490	212,086	217,407,576
Total	554,062,355	5,400,532	559,462,887

#### As at 31 December 2019

Neither overdue nor impaired	Five-category classification		
	Pass	Special-mention	Total
Corporate loans			
– Commercial loans	253,167,268	6,108,938	259,276,206
– Discounted bills	21,870,165	–	21,870,165
Subtotal	275,037,433	6,108,938	281,146,371
Personal loans and advances	176,070,597	40,040	176,110,637
Total	451,108,030	6,148,978	457,257,008

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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.1 Credit risk (Continued)

##### 53.1.5 Loans and advances to customers (Continued)

###### (f) Loans and advances overdue but not impaired

Analysis of loans and advances overdue but not impaired by overdue days:

#### As at 31 December 2020

	Up to 30 days	30 to 60 days	60 to 90 days	Total
Corporate loans	585,202	374,959	27,000	987,161
Personal loans and advances	774,436	371,096	–	1,145,532
Total	1,359,638	746,055	27,000	2,132,693

#### As at 31 December 2019

	Up to 30 days	30 to 60 days	60 to 90 days	Total
Corporate loans	488,327	181,506	–	669,833
Personal loans and advances	1,012,349	231,271	–	1,243,620
Total	1,500,676	412,777	–	1,913,453

The Group is of the view that these past due loans can be recovered by the operating income from borrowers, the payment from guarantors or disposal of collateral and are therefore not impaired.

As at 31 December 2020, the fair value of collateral for corporate loans that were past due but not impaired amounted to RMB3,110,257 thousand (31 December 2019: RMB692,566 thousand). The fair value for retail loans that were past due but not impaired amounted to RMB425,003 thousand (31 December 2019 RMB644,409 thousand).

Fair value of collateral was determined by management based on the latest available external valuation results, taking into account experience adjustments for current market conditions and estimated expenses to be incurred in the disposal process.



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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.1 Credit risk (Continued)

##### 53.1.5 Loans and advances to customers (Continued)

###### (g) Impaired loans and advances

The breakdown of the gross amount of impaired loans and advances by class, along with the fair value of the related collateral held by the Group as security, is as follows:

	As at 31 December 2020	As at 31 December 2019
Corporate loans	9,828,906	3,836,624
Personal loans and advances	1,529,155	978,034
<b>Total</b>	<b>11,358,061</b>	<b>4,814,658</b>
Fair value of collateral		
Corporate loans	12,946,235	4,330,387
Personal loans and advances	973,453	636,449
<b>Total</b>	<b>13,919,688</b>	<b>4,966,836</b>

The fair value of collateral is estimated based on the latest external valuations available, considering the liquidity of the current collateral and the market conditions.

###### (h) Restructured loans and advances

Restructured loans represent the loans whose original contract repayment terms have been modified as a result of the deterioration of borrowers' financial conditions or inability to repay the loans according to contractual terms. As at 31 December 2020, the carrying value of the restructured loans held by the Group amounted to RMB638 million (31 December 2019: RMB392 million).

## Notes to the Consolidated Financial Statements

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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.1 Credit risk (Continued)

##### 53.1.5 Loans and advances to customers (Continued)

(i) Overdue loans and advances by overdue days and collateral type

As at 31 December 2020					
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	1,108,631	3,337,577	171,882	802	4,618,892
Guaranteed	1,176,169	1,540,313	986,149	2,417	3,705,048
Collateralized	1,285,585	1,496,698	567,765	54,466	3,404,514
Pledged	416,935	598,667	3,940	–	1,019,542
Total	3,987,320	6,973,255	1,729,736	57,685	12,747,996

As at 31 December 2019					
	Overdue 1 to 90 days (inclusive)	Overdue 90 days to 1 year (inclusive)	Overdue 1 year to 3 years (inclusive)	Overdue over 3 years	Total
Unsecured	738,462	254,382	122,941	26	1,115,811
Guaranteed	831,497	858,439	353,654	49,992	2,093,582
Collateralized	1,023,278	1,085,952	1,021,972	74,718	3,205,920
Pledged	4,510	5,140	23,106	–	32,756
Total	2,597,747	2,203,913	1,521,673	124,736	6,448,069

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For the year ended 31 December 2020  
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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.6 Debt securities

The table below presents an analysis of financial investments at amortised cost (excluding interest receivable) by independent credit rating agencies:

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
AAA	48,024,917	127,939	–	48,152,856
AA- to AA+	1,921,494	–	–	1,921,494
Unrated <sup>(a)</sup>	212,226,060	2,536,291	9,385,716	224,148,067
<b>Total</b>	<b>262,172,471</b>	<b>2,664,230</b>	<b>9,385,716</b>	<b>274,222,417</b>
Less : allowance for impairment losses	(2,391,052)	(996,204)	(8,745,070)	(12,132,326)
<b>Net balance</b>	<b>259,781,419</b>	<b>1,668,026</b>	<b>640,646</b>	<b>262,090,091</b>

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
AAA	42,231,593	159,922	–	42,391,515
AA- to AA+	1,844,907	–	–	1,844,907
Unrated <sup>(a)</sup>	227,584,581	8,113,685	5,450,449	241,148,715
<b>Total</b>	<b>271,661,081</b>	<b>8,273,607</b>	<b>5,450,449</b>	<b>285,385,137</b>
Less : allowance for impairment losses	(2,917,406)	(3,592,054)	(4,904,817)	(11,414,277)
<b>Net balance</b>	<b>268,743,675</b>	<b>4,681,553</b>	<b>545,632</b>	<b>273,970,860</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.1 Credit risk (Continued)

##### 53.1.6 Debt securities (Continued)

The movements of financial assets at amortised cost are as follows:

	As at 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	
As at 1 January 2020	2,917,406	3,592,054	4,904,817	11,414,277
Addition	(723,420)	(241,944)	1,683,413	718,049
Stage conversion				
Transfers to Stage 1	200,157	(200,157)	–	–
Transfers to Stage 2	(3,091)	3,091	–	–
Transfers to Stage 3	–	(2,156,840)	2,156,840	–
Write-off and transfer out	–	–	–	–
Recovery of loans and advances written off	–	–	–	–
At 31 December 2020	2,391,052	996,204	8,745,070	12,132,326

	As at 31 December 2019			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	
As at 1 January 2019	2,820,801	3,551,717	1,506,330	7,878,848
Addition	149,618	945,072	4,390,347	5,485,037
Stage conversion				
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(53,013)	53,013	–	–
Transfers to Stage 3	–	(957,748)	957,748	–
Write-off and transfer out	–	–	(1,949,608)	(1,949,608)
Recovery of loans and advances written off	–	–	–	–
At 31 December 2019	2,917,406	3,592,054	4,904,817	11,414,277

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.6 Debt securities (Continued)

The table below presents an analysis of financial investments at fair value through other comprehensive income (excluding interest receivable) by independent credit rating agencies:

	As at 31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
AAA	35,097,285	–	–	35,097,285
AA- to AA+	6,933,718	111,184	–	7,044,902
A- to A+	299,553	–	–	299,553
Unrated <sup>(b)</sup>	75,424,871	681,651	–	76,106,522
<b>Total</b>	<b>117,755,427</b>	<b>792,835</b>	<b>–</b>	<b>118,548,262</b>
Allowance for impairment losses	(216,239)	(68,469)	–	(284,708)

	As at 31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
AAA	28,260,907	–	–	28,260,907
AA- to AA+	5,858,262	–	–	5,858,262
B- to A+	89,741	39,879	–	129,620
C	–	–	78,995	78,995
Unrated <sup>(b)</sup>	66,624,688	450,681	13,835	67,089,204
<b>Total</b>	<b>100,833,598</b>	<b>490,560</b>	<b>92,830</b>	<b>101,416,988</b>
Allowance for impairment losses	(243,265)	(137,251)	(150,484)	(531,000)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.1 Credit risk (Continued)

##### 53.1.6 Debt securities (Continued)

The movements of debt instruments of financial assets at fair value through other comprehensive income are as follows:

	As at 31 December 2020			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	
As at 1 January 2020	243,265	137,251	150,484	531,000
Addition	(19,749)	(76,059)	9,516	(86,292)
Stage conversion				
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(7,277)	7,277	-	-
Transfers to Stage 3	-	-	-	-
Written and transfer out	-	-	(160,000)	(160,000)
At 31 December 2020	216,239	68,469	-	284,708

	As at 31 December 2019			Total
	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL)	Stage 3 (Lifetime ECL-impaired)	
As at 1 January 2019	269,824	288,721	54,714	613,259
Addition	(178,537)	2,515	93,763	(82,259)
Stage conversion				
Transfers to Stage 1	153,985	(153,985)	-	-
Transfers to Stage 2	-	-	-	-
Transfers to Stage 3	(2,007)	-	2,007	-
At 31 December 2019	243,265	137,251	150,484	531,000

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.6 Debt securities (Continued)

The table below presents an analysis of financial investments at fair value through profit or loss (excluding interest receivable) by independent credit rating agencies:

	As at 31 December 2020	As at 31 December 2019
AAA	1,068,813	69,941
AA- to AA+	642,502	120,108
A- to A+	29,874	–
C	–	16,262
Unrated (c)	120,390,338	93,572,608
<b>Total</b>	<b>122,131,527</b>	<b>93,778,919</b>

- (a) The unrated financial assets at amortised cost held by the Group mainly represent investments issued by the Ministry of Finance of the PRC (“MOF”), policy banks and creditworthy issuers in the market, etc., as well as investments of asset management schemes, trusts and principal-guaranteed wealth management products issued by other financial institutions.
- (b) The unrated debt instruments of financial assets at fair value through other comprehensive income held by the Group mainly represent investments issued by the MOF, policy banks, other financial institutions.
- (c) The unrated debt instruments of financial assets at fair value through profit or loss held by the Group mainly represent investments and trading securities issued by the MOF, policy banks and creditworthy issuers in the market, etc., as well as investments of asset management schemes, trusts and wealth management products issued by other financial institutions.

#### 53.1.7 Foreclosed collateral

	As at 31 December 2020	As at 31 December 2019
Property and land use rights	151,320	404,664
Others	148,727	163,602
<b>Total</b>	<b>300,047</b>	<b>568,266</b>
Allowance for impairment losses (Note 31)	(97,278)	(199,949)
<b>Net balance</b>	<b>202,769</b>	<b>368,317</b>

Foreclosed properties are sold as soon as practicable with the proceeds used to reduce the outstanding indebtedness. Foreclosed property cannot be used for operating activities. Foreclosed property is classified within other assets at the balance sheet date.

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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.1 Credit risk (Continued)

##### 53.1.8 Concentration of risks of financial assets with credit risk exposure

###### Geographical sectors

As at 31 December 2020	Chinese mainland	Hong Kong	Others	Total
<b>Financial assets</b>				
Balances with the central bank	97,168,400	–	–	97,168,400
Deposits with banks and other financial institutions	10,051,085	212,880	1,034,106	11,298,071
Placements with banks and other financial institutions	5,156,712	–	120,000	5,276,712
Derivative financial assets	137,998	–	–	137,998
Financial assets held under resale agreements	249,376	–	–	249,376
Loans and advances to customers	553,399,162	–	–	553,399,162
Financial investments				
– financial assets at fair value through profit or loss	123,050,846	–	–	123,050,846
Financial investments				
– financial assets at fair value through other comprehensive income	120,331,283	–	–	120,331,283
Financial investments				
– financial assets at amortised cost	266,509,901	400,163	–	266,910,064
Finance lease receivables	49,053,964	–	–	49,053,964
Other financial assets	3,214,469	–	–	3,214,469
<b>Total</b>	<b>1,228,323,196</b>	<b>613,043</b>	<b>1,154,106</b>	<b>1,230,090,345</b>



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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.1 Credit risk (Continued)

#### 53.1.8 Concentration of risks of financial assets with credit risk exposure (Continued)

##### Geographical sectors (Continued)

As at 31 December 2019	Chinese mainland	Hong Kong	Others	Total
<b>Financial assets</b>				
Balances with the central bank	90,946,253	–	–	90,946,253
Deposits with banks and other financial institutions	10,850,565	2,220,639	1,183,024	14,254,228
Placements with banks and other financial institutions	4,617,805	–	120,000	4,737,805
Derivative financial assets	235,406	–	–	235,406
Financial assets held under resale agreements	28,651,227	–	–	28,651,227
Loans and advances to customers	450,419,777	–	–	450,419,777
Financial investments				
– financial assets at fair value through profit or loss	95,225,453	–	–	95,225,453
Financial investments				
– financial assets at fair value through other comprehensive income	102,995,517	–	–	102,995,517
Financial investments				
– financial assets at amortised cost	277,485,607	1,366,904	–	278,852,511
Finance lease receivables	43,949,191	–	–	43,949,191
Other financial assets	6,188,901	–	–	6,188,901
Total	1,111,565,702	3,587,543	1,303,024	1,116,456,269

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.2 Market risk

#### 53.2.1 Overview

The Group has exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. It mainly represents volatility risk arising from interest rates, foreign exchange rates, stocks, commodities and their implied volatility.

The Group's market risk mainly includes trading risks arising from trading portfolio and interest rate and foreign exchange rate risks for non-trading portfolio resulted from changes in interest rates, foreign exchange rates and term structures.

The Board of Directors of the Group takes the ultimate responsibility for the oversight of market risk management and is responsible for the identification, measurement, monitoring, control and reporting of market risks on a Group basis. Within the authorization of the board of directors, the management is fully responsible for implementing the market risk management strategy, policies and decisions that are adopted by the board of directors. The Risk Management Department of the Head Office is the unified management department of market risk, institutionally manages the market risks of the whole bank and supervises the implementation of relevant departments.

#### 53.2.2 Market risk measurement techniques

The Group mainly measures and controls market risk by conducting sensitivity analysis, foreign exchange exposure analysis, gap analysis, duration analysis, stress testing and the VaR (value at risk). The Group establishes strict authorization and exposure limits based on its overall ability to afford market risk, the types of products and the Group's business strategy. The Group sets different exposure limits and takes different quantitative measurements to manage different types of market risk of trading book and banking book. The Group also improves its funding risk management system, adjusts the related risk parameter and refines the risk measurement model in accordance with regulatory requirements.

#### 53.2.3 Interest rate risk

Interest rate risk refers to the risk of fluctuation in interest rates which results in adverse impact on the financial position of the Bank. Interest rate risk of the Bank primarily arises from the structural mismatch of maturity or re-pricing periods for our banking portfolio. Such structural mismatch of durations may cause the Bank interest income to be affected by changes in the prevailing interest rate. In addition, different pricing benchmarks for different products may also lead to interest rate risk for our assets and liabilities within the same re-pricing period. Currently, the Bank primarily assesses its exposure to interest rate risk through gap analysis, sensitivity analysis and duration analysis. The Bank manages its interest rate risk exposure primarily by adjusting the duration of our banking portfolio based on its assessment of potential changes in the interest rate environment.

# Notes to the Consolidated Financial Statements

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.2 Market risk (Continued)

#### 53.2.3 Interest rate risk (Continued)

The table below summarizes the Group's exposure to interest rate risk. It includes the Group's on-balance sheet assets and liabilities at carrying amounts, categorized by the earlier of contractual re-pricing or maturity dates.

As at 31 December 2020	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest- bearing	Total
<b>Assets</b>							
Cash and balances with central bank	97,132,962	-	-	-	-	1,251,239	98,384,201
Deposits with banks and other financial institutions	11,257,952	-	-	-	-	40,119	11,298,071
Placements with banks and other financial institutions	-	2,771,757	2,443,141	-	-	61,814	5,276,712
Derivative financial assets	-	-	-	-	-	137,998	137,998
Financial assets held under resale agreements	249,206	-	-	-	-	170	249,376
Loans and advances to customers	183,469,481	156,722,865	54,759,472	28,491,650	127,051,101	2,904,593	553,399,162
Financial Investments							
- financial assets at fair value through profit or loss	46,948,025	7,862,697	13,464,345	26,036,186	2,464,315	26,275,278	123,050,846
- financial assets at fair value through other comprehensive income	1,137,962	4,248,800	15,320,174	67,374,165	30,467,161	2,017,786	120,566,048
- financial assets at amortised cost	4,751,478	9,861,128	21,784,893	170,041,365	55,651,227	4,819,973	266,910,064
Finance lease receivables	38,663,665	231,815	5,872,685	3,661,304	-	624,495	49,053,964
Other financial assets	-	-	-	-	-	3,214,469	3,214,469
<b>Total assets</b>	<b>383,610,731</b>	<b>181,699,062</b>	<b>113,644,710</b>	<b>295,604,670</b>	<b>215,633,804</b>	<b>41,347,934</b>	<b>1,231,540,911</b>

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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.2 Market risk (Continued)

##### 53.2.3 Interest rate risk (Continued)

As at 31 December 2020	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest- bearing	Total
<b>Liabilities</b>							
Borrowings from central bank	(4,340,754)	(9,228,292)	(55,499,956)	-	-	(514,281)	(69,583,283)
Deposits from banks and other financial institutions	(26,374,458)	(23,359,018)	(24,701,001)	(18,076,249)	-	(1,079,158)	(93,589,884)
Placements from banks and other financial institutions	(6,400,599)	(7,428,500)	(20,900,933)	(200,000)	-	(364,544)	(35,294,576)
Derivative financial liabilities	-	-	-	-	-	(140,781)	(140,781)
Financial assets sold under repurchase agreements	(24,318,675)	(2,108,180)	(13,772,759)	-	-	(199,757)	(40,399,371)
Deposits from customers	(390,507,215)	(37,570,885)	(95,329,707)	(168,996,623)	(20,548,667)	(13,789,681)	(726,742,778)
Debt securities issued	(7,985,690)	(42,538,250)	(95,185,657)	(21,999,282)	(11,995,158)	(931,658)	(180,635,695)
Other financial liabilities	(45)	(110)	(14,961)	(567,654)	(381,397)	(4,132,108)	(5,096,275)
<b>Total liabilities</b>	<b>(459,927,436)</b>	<b>(122,233,235)</b>	<b>(305,404,974)</b>	<b>(209,839,808)</b>	<b>(32,925,222)</b>	<b>(21,151,968)</b>	<b>(1,151,482,643)</b>
<b>Total interest rate sensitivity gap</b>	<b>(76,316,705)</b>	<b>59,465,827</b>	<b>(191,760,264)</b>	<b>85,764,862</b>	<b>182,708,582</b>	<b>20,195,966</b>	<b>80,058,268</b>

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.2 Market risk (Continued)

#### 53.2.3 Interest rate risk (Continued)

As at 31 December 2019	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest- bearing	Total
<b>Assets</b>							
Cash and balances with central bank	90,910,606	-	-	-	-	1,060,648	91,971,254
Deposits with banks and other financial institutions	9,794,105	-	4,316,638	-	-	143,485	14,254,228
Placements with banks and other financial institutions	-	2,262,310	2,461,294	-	-	14,201	4,737,805
Derivative financial assets	-	-	-	-	-	235,406	235,406
Financial assets held under resale agreements	28,531,183	109,916	-	-	-	10,128	28,651,227
Loans and advances to customers	145,947,022	235,648,788	39,815,860	26,692,029	278,329	2,037,749	450,419,777
Financial Investments							
- financial assets at fair value through profit or loss	30,097,148	28,524,222	18,627,958	5,998,347	1,380,980	10,596,798	95,225,453
- financial assets at fair value through other comprehensive income	1,742,838	5,347,976	9,262,370	61,597,413	23,466,391	1,759,405	103,176,393
- financial assets at amortised cost	4,896,800	4,013,119	36,701,376	137,095,798	91,263,767	4,881,651	278,852,511
Finance lease receivables	38,116,768	1,063,251	2,652,533	1,653,274	227	463,138	43,949,191
Other financial assets	-	-	-	-	-	6,188,901	6,188,901
<b>Total assets</b>	<b>350,036,470</b>	<b>276,969,582</b>	<b>113,838,029</b>	<b>233,036,861</b>	<b>116,389,694</b>	<b>27,391,510</b>	<b>1,117,662,146</b>

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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.2 Market risk (Continued)

##### 53.2.3 Interest rate risk (Continued)

As at 31 December 2019	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Non-interest- bearing	Total
<b>Liabilities</b>							
Borrowings from central bank	(6,615,680)	(1,711,521)	(32,103,588)	-	-	(257,757)	(40,688,546)
Deposits from banks and other financial institutions	(6,707,691)	(39,618,534)	(38,272,141)	(13,647,320)	(12,460,602)	(629,348)	(111,335,636)
Placements from banks and other financial institutions	(298,473)	-	(13,162,921)	(22,455,970)	-	(385,697)	(36,303,061)
Derivative financial liabilities	-	-	-	-	-	(281,329)	(281,329)
Financial assets sold under repurchase agreements	(32,428,277)	(7,771,323)	(9,783,799)	-	-	(381,563)	(50,364,962)
Deposits from customers	(403,230,324)	(22,822,666)	(65,538,762)	(102,235,548)	(6,804)	(9,620,715)	(603,454,819)
Debt securities issued	(12,261,338)	(23,736,215)	(117,478,213)	(16,999,840)	(11,985,994)	(781,108)	(183,242,708)
Other financial liabilities	(1)	(19)	(11,516)	(443,531)	(396,174)	(1,405,215)	(2,256,456)
<b>Total liabilities</b>	<b>(461,541,784)</b>	<b>(95,660,278)</b>	<b>(276,350,940)</b>	<b>(155,782,209)</b>	<b>(24,849,574)</b>	<b>(13,742,732)</b>	<b>(1,027,927,517)</b>
<b>Total interest rate sensitivity gap</b>	<b>(111,505,314)</b>	<b>181,309,304</b>	<b>(162,512,911)</b>	<b>77,254,652</b>	<b>91,540,120</b>	<b>13,648,778</b>	<b>89,734,629</b>

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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.2 Market risk (Continued)

##### 53.2.3 Interest rate risk (Continued)

The Group mainly narrows its interest rate sensitivity gap between assets and liabilities through shorter durations for investments and resetting loan prices.

The currency for the majority of Group's interest-bearing assets and liabilities is RMB. The potential impact on net interest income as at the balance sheet date stated below with 100 basis points changes along the yield curve is as follows:

	Estimated changes in net interest income	
	As at 31 December 2020	As at 31 December 2019
100 bps up along the yield curve	1,577,532	2,090,924
100 bps down along the yield curve	(1,577,532)	(2,090,924)

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial instruments classified as Other Comprehensive Income, whose fair values changes are recorded as an element of other comprehensive income. The potential impacts are as follows :

	Year ended	Year ended
	31 December 2020	31 December 2019
100 bps up	(2,829,305)	(3,088,579)
100 bps down	3,001,527	3,274,872

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.2 Market risk (Continued)

#### 53.2.3 Interest rate risk (Continued)

During the sensitivity analysis, the Group adopts the following assumptions when determining business conditions and financial index:

- The fluctuation rates of different interest-bearing assets and liabilities are the same;
- Demand deposits will not be re-priced;
- All assets and liabilities are re-priced in the middle of relevant periods;
- Analysis is based on static gap on balance sheet date, regardless of subsequent changes;
- No consideration of impact on customers' behaviour resulting from interest rate changes;
- No consideration of impact on market price resulting from interest rate changes;
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

#### 53.2.4 Currency risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The major principle for controlling the currency risk of the Group is to match assets and liabilities in different currencies and to keep currency risk within limits. Based on the guidelines provided by the Risk Management Committee, relevant laws and regulations as well as evaluation on the current market, the Group sets its risk limits and minimize the possibility of mismatch through more reasonable allocation of foreign currency source and deployment. Authorization management of foreign currency exposure is categorized by business type and traders' limits of authority.



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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.2 Market risk (Continued)

#### 53.2.4 Currency risk (Continued)

The table below summarizes the Group's exposure to foreign currency exchange rate risk at balance sheet date. Included in the table are the Group's assets and liabilities at carrying amounts in RMB, categorized by the original currency:

	RMB	USD	EUR	Others	Total
<b>As at 31 December 2020</b>					
<b>Assets</b>					
Cash and balances with central bank	98,170,137	212,642	412	1,010	98,384,201
Deposits with banks and other financial institutions	6,647,129	3,931,501	45,667	673,774	11,298,071
Placements with banks and other financial institutions	5,276,712	-	-	-	5,276,712
Derivative financial assets	66,561	68,732	2,705	-	137,998
Financial assets held under resale agreements	249,376	-	-	-	249,376
Loans and advances to customers	548,974,127	4,424,102	933	-	553,399,162
Financial investments					
- financial assets at fair value through profit or loss	123,041,408	9,438	-	-	123,050,846
- financial assets at fair value through other comprehensive income	120,566,048	-	-	-	120,566,048
- financial assets at amortised cost	266,509,901	400,163	-	-	266,910,064
Finance lease receivables	49,053,964	-	-	-	49,053,964
Other financial assets	3,203,195	11,274	-	-	3,214,469
<b>Total assets</b>	<b>1,221,758,558</b>	<b>9,057,852</b>	<b>49,717</b>	<b>674,784</b>	<b>1,231,540,911</b>
<b>Liabilities</b>					
Borrowings from central bank	(69,583,283)	-	-	-	(69,583,283)
Deposits from banks and other financial institutions	(93,205,264)	(384,426)	-	(194)	(93,589,884)
Placements from banks and other financial institutions	(33,269,683)	(2,024,893)	-	-	(35,294,576)
Derivative financial liabilities	(119,717)	(16,837)	(2,611)	(1,616)	(140,781)
Financial assets sold under repurchase agreements	(40,399,371)	-	-	-	(40,399,371)
Deposits from customers	(722,208,530)	(3,723,374)	(22,574)	(788,300)	(726,742,778)
Debt securities issued	(180,635,695)	-	-	-	(180,635,695)
Other financial liabilities	(5,096,108)	(164)	-	(3)	(5,096,275)
<b>Total liabilities</b>	<b>(1,144,517,651)</b>	<b>(6,149,694)</b>	<b>(25,185)</b>	<b>(790,113)</b>	<b>(1,151,482,643)</b>
<b>Net on-balance sheet financial position</b>	<b>77,240,907</b>	<b>2,908,158</b>	<b>24,532</b>	<b>(115,329)</b>	<b>80,058,268</b>
Financial guarantees and credit commitments	94,081,148	11,342,961	386,566	329,694	106,140,369

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.2 Market risk (Continued)

#### 53.2.4 Currency risk (Continued)

	RMB	USD	EUR	Others	Total
As at 31 December 2019					
<b>Assets</b>					
Cash and balances with central bank	91,807,128	163,095	401	630	91,971,254
Deposits with banks and other					
financial institutions	10,081,473	3,803,422	22,140	347,193	14,254,228
Placements with banks and other					
financial institutions	4,688,972	48,833	-	-	4,737,805
Derivative financial assets	50,320	185,086	-	-	235,406
Financial assets held under resale					
agreements	28,651,227	-	-	-	28,651,227
Loans and advances to customers	446,989,760	3,339,169	90,848	-	450,419,777
Financial investments					
- financial assets at fair value through profit or loss	95,225,453	-	-	-	95,225,453
- financial assets at fair value through other comprehensive income	103,176,393	-	-	-	103,176,393
- financial assets at amortised cost	277,059,340	1,793,171	-	-	278,852,511
Finance lease receivables	43,949,191	-	-	-	43,949,191
Other financial assets	6,118,545	69,164	-	1,192	6,188,901
<b>Total assets</b>	<b>1,107,797,802</b>	<b>9,401,940</b>	<b>113,389</b>	<b>349,015</b>	<b>1,117,662,146</b>
<b>Liabilities</b>					
Borrowings from central bank	(40,688,546)	-	-	-	(40,688,546)
Deposits from banks and other					
financial institutions	(110,161,458)	(1,173,534)	(319)	(325)	(111,335,636)
Placements from banks and other					
financial institutions	(34,759,543)	(1,543,518)	-	-	(36,303,061)
Derivative financial liabilities	(207,275)	(72,660)	-	(1,394)	(281,329)
Financial assets sold under repurchase					
agreements	(43,955,651)	(6,409,311)	-	-	(50,364,962)
Deposits from customers	(574,078,446)	(2,953,434)	(12,594)	(26,410,345)	(603,454,819)
Debt securities issued	(183,242,708)	-	-	-	(183,242,708)
Other financial liabilities	(2,253,948)	(2,505)	-	(3)	(2,256,456)
<b>Total liabilities</b>	<b>(989,347,575)</b>	<b>(12,154,962)</b>	<b>(12,913)</b>	<b>(26,412,067)</b>	<b>(1,027,927,517)</b>
<b>Net on-balance sheet financial position</b>	<b>118,450,227</b>	<b>(2,753,022)</b>	<b>100,476</b>	<b>(26,063,052)</b>	<b>89,734,629</b>
Financial guarantees and credit commitments	69,861,125	18,247,484	219,101	2,692,618	91,020,328

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.2 Market risk (Continued)

#### 53.2.4 Currency risk (Continued)

The Group's foreign currency exposure is not material. The major foreign currency exposure is with USD and EUR. The potential impact on net profits resulted from foreign currency translation gain or loss with 1% fluctuation of foreign currency against RMB is as follows:

	Estimated change in net profit/(loss)	
	As at 31 December 2020	As at 31 December 2019
1% of appreciation of foreign exchange against RMB	34,643	(157,725)
1% of depreciation of foreign exchange against RMB	(34,643)	157,725

During the sensitivity analysis, the Group adopts the following assumptions when determining the business conditions and financial index, regardless of:

- Analysis is based on static gap on the balance sheet date, regardless of subsequent changes;
- No consideration of impact on the customers' behaviour resulting from interest rate changes;
- No consideration of impact on market price resulting from interest rate changes;
- No consideration of actions taken by the Group.

Therefore, the actual changes of net profit may differ from the analysis above.

### 53.3 Liquidity risk

#### 53.3.1 Overview

Keeping a match between the maturity dates of assets and liabilities and maintaining an effective control over mismatches is of great importance to the Group. Due to the uncertainty of terms and types of business, it is difficult for banks to keep a perfect match. Unmatched position may increase revenues but it also exposes the Group to greater risks of losses.

The match between the maturity dates of assets and liabilities as well as a bank's ability to replace due liabilities with acceptable costs are both key factors when evaluating its exposure to liquidity, interest rate and foreign exchange rate risks.

The Group is exposed to daily calls on its available cash resources from overnight deposits, demand accounts, time deposits fall due, debt securities payable, loan drawdowns, guarantees and other calls on cash-settled derivatives. According to previous experience, a large portion of matured deposits is not withdrawn on the maturity date. The Group sets limits on the minimum proportion of funds to be made available to cover different levels of unexpected withdrawals.

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.3 Liquidity risk (Continued)

#### 53.3.2 Cash flows of non-derivatives

The table below presents the cash flows receivable and payable by the Group under non-derivative financial liabilities and assets held for managing liquidity risk by remaining contractual maturities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Group manages the liquidity risk based on the estimation of future cash flows.

As at 31 December 2020	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Liabilities</b>						
Borrowings from central bank	(4,912,301)	(9,338,714)	(57,429,050)	-	-	(71,680,065)
Deposits from banks and other financial institutions	(27,466,616)	(23,492,917)	(25,046,056)	(20,226,749)	-	(96,232,338)
Placements from banks and other financial institutions	(6,497,063)	(7,714,016)	(21,558,118)	(213,949)	-	(35,983,146)
Financial assets sold under repurchase agreements	(24,379,397)	(2,159,514)	(14,077,458)	-	-	(40,616,369)
Deposits from customers	(405,484,662)	(37,787,216)	(96,895,398)	(182,142,072)	(21,584,655)	(743,894,003)
Debt securities issued	(8,003,917)	(43,419,360)	(114,577,787)	(12,932,800)	(8,140,700)	(187,074,564)
Other financial liabilities	(4,132,153)	(110)	(14,961)	(567,654)	(381,397)	(5,096,275)
<b>Total liabilities (contractual maturity)</b>	<b>(480,876,109)</b>	<b>(123,911,847)</b>	<b>(329,598,828)</b>	<b>(216,083,224)</b>	<b>(30,106,752)</b>	<b>(1,180,576,760)</b>
<b>Assets</b>						
Cash and balances with central bank	98,384,201	-	-	-	-	98,384,201
Deposits with banks and other financial institutions	11,298,110	-	-	-	-	11,298,110
Placements with banks and other financial institutions	1,225,575	1,624,195	2,550,395	-	-	5,400,165
Financial assets held under resale agreements	249,624	-	-	-	-	249,624
Loans and advances to customers	55,424,439	43,242,309	115,843,806	166,369,977	386,533,696	767,414,227
Financial investments						
- financial assets at fair value through profit or loss	73,353,977	8,108,348	14,893,020	29,364,435	11,860,459	137,580,239
- financial assets at fair value through other comprehensive income	2,994,498	4,836,155	18,592,332	80,530,158	34,583,470	141,536,613
- financial assets at amortised cost	9,600,534	12,207,752	31,535,004	204,640,715	60,173,290	318,157,295
Finance lease receivables	3,164,891	2,528,516	13,672,330	37,618,823	-	56,984,560
Other financial assets	2,219,038	503,096	375,051	101,169	16,115	3,214,469
<b>Financial assets held for managing liquidity risk (contractual maturity)</b>	<b>257,914,887</b>	<b>73,050,371</b>	<b>197,461,938</b>	<b>518,625,277</b>	<b>493,167,030</b>	<b>1,540,219,503</b>
<b>Net liquidity</b>	<b>(222,961,222)</b>	<b>(50,861,476)</b>	<b>(132,136,890)</b>	<b>302,542,053</b>	<b>463,060,278</b>	<b>359,642,743</b>

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.3 Liquidity risk (Continued)

#### 53.3.2 Cash flows of non-derivatives (Continued)

As at 31 December 2019	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Liabilities</b>						
Borrowings from central bank	(6,880,436)	(1,717,021)	(32,997,134)	-	-	(41,594,591)
Deposits from banks and other financial institutions	(7,342,683)	(39,838,371)	(38,829,133)	(16,054,921)	(15,064,301)	(117,129,409)
Placements from banks and other financial institutions	(308,131)	-	(13,636,180)	(22,701,979)	-	(36,646,290)
Financial assets sold under repurchase agreements	(32,482,247)	(8,008,797)	(10,088,283)	-	-	(50,579,327)
Deposits from customers	(417,577,551)	(23,342,758)	(66,833,677)	(110,453,284)	(7,755)	(618,215,025)
Debt securities issued	(12,280,000)	(24,033,728)	(122,223,216)	(20,296,900)	(13,423,200)	(192,257,044)
Other financial liabilities	(1,444,413)	(28,857)	(192,285)	(546,272)	(149,023)	(2,360,850)
<b>Total liabilities (contractual maturity)</b>	<b>(478,315,461)</b>	<b>(96,969,532)</b>	<b>(284,799,908)</b>	<b>(170,053,356)</b>	<b>(28,644,279)</b>	<b>(1,058,782,536)</b>
<b>Assets</b>						
Cash and balances with central bank	91,971,254	-	-	-	-	91,971,254
Deposits with banks and other financial institutions	9,797,967	-	4,467,481	-	-	14,265,448
Placements with banks and other financial institutions	-	2,327,581	2,485,115	-	-	4,812,696
Financial assets held under resale agreements	28,545,854	110,468	-	-	-	28,656,322
Loans and advances to customers	35,309,283	25,504,862	113,688,513	112,927,981	229,759,835	517,190,474
Financial investments						
- financial assets at fair value through profit or loss	40,935,757	29,037,386	19,807,935	10,504,802	10,966,960	111,252,840
- financial assets at fair value through other comprehensive income	3,470,614	5,839,607	13,255,125	80,829,544	28,788,526	132,183,416
- financial assets at amortised cost	10,969,599	6,249,396	48,388,890	175,245,027	98,623,779	339,476,691
Finance lease receivables	38,427,874	1,977,290	4,438,051	4,935,415	4,747	49,783,377
Other financial assets	1,861,202	3,897,606	405,349	18,857	5,887	6,188,901
<b>Financial assets held for managing liquidity risk (contractual maturity)</b>	<b>261,289,404</b>	<b>74,944,196</b>	<b>206,936,459</b>	<b>384,461,626</b>	<b>368,149,734</b>	<b>1,295,781,419</b>
<b>Net liquidity</b>	<b>(217,026,057)</b>	<b>(22,025,336)</b>	<b>(77,863,449)</b>	<b>214,408,270</b>	<b>339,505,455</b>	<b>236,998,883</b>

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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.3 Liquidity risk (Continued)

##### 53.3.3 Cash flows of derivative financial instruments

*Derivatives settled on a gross basis*

The Group's derivatives that will be settled on a gross basis include foreign exchange forward contracts. The table below analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at 31 December 2020 and 31 December 2019 to the contractual maturity date. The figures disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2020	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(94,929)	(813,131)	(1,084,805)	–	–	(1,992,865)
– Inflow	94,899	868,156	1,082,479	–	–	2,045,534
Total	(30)	55,025	(2,326)	–	–	52,669

As at 31 December 2019	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Foreign exchange derivatives						
– Outflow	(121,586)	(3,459,900)	(6,367,932)	–	–	(9,949,418)
– Inflow	122,110	3,594,229	6,399,789	–	–	10,116,128
Total	524	134,329	31,857	–	–	166,710

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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.3 Liquidity risk (Continued)

##### 53.3.3 Cash flows of derivative financial instruments (Continued)

*Derivatives settled on a gross basis (Continued)*

As at 31 December 2020	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Commodity derivatives						
– Outflow	(1,186,429)	(1,226,253)	–	–	–	(2,412,682)
– Inflow	1,162,415	1,196,352	–	–	–	2,358,767
Total	(24,014)	(29,901)	–	–	–	(53,915)

As at 31 December 2019	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Commodity derivatives						
– Outflow	–	–	–	–	–	–
– Inflow	–	–	–	–	–	–
Total	–	–	–	–	–	–

*Derivative financial instruments with net delivery*

As at 31 December 2020	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	(397)	722	(7,637)	(7,345)	–	(14,657)

As at 31 December 2019	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Interest rate derivatives	(19,098)	(15,813)	(105,529)	(60,808)	–	(201,248)

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.3 Liquidity risk (Continued)

#### 53.3.4 Maturity analysis

The table below analyses the Group's net assets and liabilities into relevant maturity groupings based on the remaining periods at the balance sheet date to the contractual maturity date.

As at 31 December 2020	Repayable on demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with central bank	30,215,695	35,438	-	-	-	-	-	68,133,068	98,384,201
Deposits with banks and other financial institutions	10,160,780	1,137,291	-	-	-	-	-	-	11,298,071
Placements with banks and other financial institutions	-	1,199,893	1,579,179	2,497,640	-	-	-	-	5,276,712
Derivative financial assets	-	4,590	60,612	21,811	50,985	-	-	-	137,998
Financial assets held under resale agreements	-	249,376	-	-	-	-	-	-	249,376
Loans and advances to customers	-	50,413,115	39,084,456	108,382,388	102,966,052	248,958,578	3,594,573	-	553,399,162
Financial investments									
- financial assets at fair value through profit or loss	61,660,458	3,878,792	7,862,697	13,464,345	26,036,186	2,464,315	7,684,053	-	123,050,846
- financial assets at fair value through other comprehensive income	-	2,612,121	4,109,312	14,673,157	68,469,532	30,467,161	-	234,765	120,566,048
- financial assets at amortised cost	-	8,304,038	9,861,128	21,784,893	170,210,392	55,651,227	1,098,386	-	266,910,064
Finance lease receivables	-	39,068,047	231,814	5,872,685	3,661,304	-	220,114	-	49,053,964
Other financial assets	-	2,036,337	503,096	375,051	101,169	16,115	182,701	-	3,214,469
<b>Total assets</b>	<b>102,036,933</b>	<b>108,939,038</b>	<b>63,292,294</b>	<b>167,071,970</b>	<b>371,495,620</b>	<b>337,557,396</b>	<b>12,779,827</b>	<b>68,367,833</b>	<b>1,231,540,911</b>
Borrowings from central bank	-	(4,800,307)	(9,140,000)	(55,642,976)	-	-	-	-	(69,583,283)
Deposits from banks and other financial institutions	(18,118,545)	(9,335,071)	(23,359,018)	(24,701,001)	(18,076,249)	-	-	-	(93,589,884)
Placements from banks and other financial institutions	-	(6,765,143)	(7,428,500)	(20,900,933)	(200,000)	-	-	-	(35,294,576)
Derivative financial liabilities	-	(21,365)	(30,487)	(29,145)	(59,784)	-	-	-	(140,781)
Financial assets sold under repurchase agreements	-	(24,518,432)	(2,108,180)	(13,772,759)	-	-	-	-	(40,399,371)
Deposits from customers	(385,315,725)	(19,572,652)	(37,570,885)	(95,329,707)	(168,996,623)	(19,957,186)	-	-	(726,742,778)
Debt securities issued	-	(7,985,690)	(42,588,904)	(95,328,735)	(22,446,831)	(12,285,535)	-	-	(180,635,695)
Other financial liabilities	-	(4,132,153)	(110)	(14,961)	(567,654)	(381,397)	-	-	(5,096,275)
<b>Total liabilities</b>	<b>(403,434,270)</b>	<b>(77,130,813)</b>	<b>(122,226,084)</b>	<b>(305,720,217)</b>	<b>(210,347,141)</b>	<b>(32,624,118)</b>	<b>-</b>	<b>-</b>	<b>(1,151,482,643)</b>
<b>Net liquidity gap</b>	<b>(301,397,337)</b>	<b>31,808,225</b>	<b>(58,933,790)</b>	<b>(138,648,247)</b>	<b>161,148,479</b>	<b>304,933,278</b>	<b>12,779,827</b>	<b>68,367,833</b>	<b>80,058,268</b>



# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
 (All amounts expressed in thousands of RMB unless otherwise stated)

## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.3 Liquidity risk (Continued)

#### 53.3.4 Maturity analysis (Continued)

As at 31 December 2019	Repayable on demand	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Overdue	Indefinite	Total
Cash and balances with									
central bank	33,272,199	35,647	-	-	-	-	-	58,663,408	91,971,254
Deposits with banks and									
other financial institutions	8,710,682	1,085,751	-	4,457,795	-	-	-	-	14,254,228
Placements with banks and									
other financial institutions	-	-	2,272,501	2,465,304	-	-	-	-	4,737,805
Derivative financial assets	-	2,608	133,778	59,972	39,048	-	-	-	235,406
Financial assets held under									
resale agreements	-	28,541,311	109,916	-	-	-	-	-	28,651,227
Loans and advances to									
customers	-	32,992,752	23,499,888	105,908,644	88,892,883	197,045,369	2,080,241	-	450,419,777
Financial investments									
- financial assets at fair value									
through profit or loss	27,177,446	4,347,910	28,524,222	18,627,958	5,998,347	1,364,718	34,588	9,150,264	95,225,453
- financial assets at fair value									
through other									
comprehensive income	-	2,961,496	4,990,297	8,579,418	62,997,915	23,452,556	13,835	180,876	103,176,393
- financial assets at									
amortised cost	-	8,752,924	3,690,519	37,023,976	137,095,798	91,263,767	1,025,527	-	278,852,511
Finance lease receivables	-	38,058,204	1,526,389	2,652,533	1,653,274	227	58,564	-	43,949,191
Other financial assets	-	1,829,125	3,897,606	405,349	18,857	5,887	32,077	-	6,188,901
<b>Total assets</b>	<b>69,160,327</b>	<b>118,607,728</b>	<b>68,645,116</b>	<b>180,180,949</b>	<b>296,696,122</b>	<b>313,132,524</b>	<b>3,244,832</b>	<b>67,994,548</b>	<b>1,117,662,146</b>
Borrowings from central bank	-	(6,873,437)	(1,711,521)	(32,103,588)	-	-	-	-	(40,688,546)
Deposits from banks and									
other financial institutions	(3,390,565)	(3,946,474)	(39,618,534)	(38,272,141)	(13,647,320)	(12,460,602)	-	-	(111,335,636)
Placements from banks and									
other financial institutions	-	(308,103)	-	(13,306,447)	(22,688,511)	-	-	-	(36,303,061)
Derivative financial liabilities	-	(27,544)	(18,339)	(185,107)	(50,339)	-	-	-	(281,329)
Financial assets sold under									
repurchase agreements	-	(32,473,507)	(7,957,182)	(9,934,273)	-	-	-	-	(50,364,962)
Deposits from customers	(394,782,209)	(18,068,830)	(22,822,666)	(65,538,762)	(102,235,548)	(6,804)	-	-	(603,454,819)
Debt securities issued	-	(12,261,338)	(23,736,215)	(117,514,815)	(17,432,768)	(12,297,572)	-	-	(183,242,708)
Other financial liabilities	-	(1,405,216)	(19)	(11,516)	(443,531)	(396,174)	-	-	(2,256,456)
<b>Total liabilities</b>	<b>(398,172,774)</b>	<b>(75,364,449)</b>	<b>(95,864,476)</b>	<b>(276,866,649)</b>	<b>(156,498,017)</b>	<b>(25,161,152)</b>	<b>-</b>	<b>-</b>	<b>(1,027,927,517)</b>
<b>Net liquidity gap</b>	<b>(329,012,447)</b>	<b>43,243,279</b>	<b>(27,219,360)</b>	<b>(96,685,700)</b>	<b>140,198,105</b>	<b>287,971,372</b>	<b>3,244,832</b>	<b>67,994,548</b>	<b>89,734,629</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.3 Liquidity risk (Continued)

##### 53.3.5 Off-balance sheet items

The Group provides guarantees and letters of credit to customers based on their credit ratings and amounts of cash collateral. Usually, customers will not withdraw the amount committed by the Group in the guarantees or letters of credit in full, therefore, funds provided for guarantees and letters of credit are commonly lower than other commitments of the Group. Meanwhile, the Group may be discharged of its obligations due to overdue or termination of the commitments. As a result, the contractual amounts for credit commitments do not represent the actual funds required.

As at 31 December 2020	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	40,303,011	–	–	40,303,011
Letters of credit	6,248,308	14,182	–	6,262,490
Letters of guarantee	3,185,570	12,456,656	3,118	15,645,344
Loan commitments	1,418,011	293,000	–	1,711,011
Unused credit card lines	4,049,836	37,749,586	419,091	42,218,513
<b>Total</b>	<b>55,204,736</b>	<b>50,513,424</b>	<b>422,209</b>	<b>106,140,369</b>

As at 31 December 2019	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptance	36,775,576	–	–	36,775,576
Letters of credit	8,268,785	246,057	–	8,514,842
Letters of guarantee	11,763,516	8,113,152	480,345	20,357,013
Loan commitments	645,660	203,000	–	848,660
Unused credit card lines	2,880,944	21,581,311	61,982	24,524,237
<b>Total</b>	<b>60,334,481</b>	<b>30,143,520</b>	<b>542,327</b>	<b>91,020,328</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
(All amounts expressed in thousands of RMB unless otherwise stated)

## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.4 Fair value of financial assets and liabilities

#### (a) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts and issued structured debt in the interbank market. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Thomson Reuters, Bloomberg and China Bond.
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt investments with significant unobservable inputs.

#### (b) Financial instruments not measured at fair value

Fair value estimates are made in accordance with relevant market information and information related to various financial instruments at a particular point in time. The fair value of all kinds of financial instruments is based on the following methods and assumptions:

- (i) *Balances with central bank, deposits and placements with banks, financial assets held under resale agreements, deposits and placements from banks, financial assets sold under repurchase agreements, other assets and other liabilities*

Since these financial instruments are short-term or at floating interest rate linked to market interest rate, their carrying value approximates to the fair value.

- (ii) *Loans and advances to customers at amortized cost*

Since most loans and advances to customers are repriced at least annually according to market interest rate, their carrying value approximates to the fair value.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.4 Fair value of financial assets and liabilities (Continued)

##### (b) Financial instruments not measured at fair value (Continued)

##### (iii) Deposits from customers

The fair value of a checking account, a savings account and a short-term money market deposit shall be the amount currently payable to customers. The fair value of a time deposit is calculated based on the discounted cash flow method, and the discount rate is the current rate of a time deposit of which the term is similar to the remaining term of the time deposit being valued. At the end of the reporting period, the carrying value of deposits from customers approximates to the fair value.

##### (iv) Finance lease receivables

The balance of finance lease receivables is calculated based on the effective interest rate method. Since the actual interest rate of a financial leasing is timely adjusted to the interest rates that the PBOC stipulates, the carrying value approximates to the fair value.

The table below summarizes the carrying amounts and the fair values of those financial assets and liabilities not presented at their fair value on the Group's balance sheet date.

	As at 31 December 2020				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Financial investments					
– financial assets at amortised cost	266,910,064	–	267,238,697	–	267,238,697
<b>Financial Liabilities</b>					
Debt securities issued	(180,635,695)	–	(176,495,206)	–	(176,495,206)
	As at 31 December 2019				
	Carrying value	Fair value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Financial investments					
– financial assets at amortised cost	278,972,511	–	279,503,658	–	279,503,658
<b>Financial Liabilities</b>					
Debt securities issued	(183,242,708)	–	(181,242,458)	–	(181,242,458)

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(All amounts expressed in thousands of RMB unless otherwise stated)

## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.4 Fair value of financial assets and liabilities (Continued)

#### (b) *Financial instruments not measured at fair value (Continued)*

##### (i) *Financial assets at amortised cost*

Financial assets at amortised cost whose fair value is based on quoted market prices are included in level 1. As for financial assets at amortised cost, when such information is not available and the estimated fair value represents the discounted amount of estimated future cash flows expected to be received based on observable yield curves or quoted market prices for products with similar credit, maturity and yield characteristics are used where applicable, the fair value measurement will be included in level 2 or level 3.

##### (ii) *Debt securities in issued*

If the fair value is based on quoted market prices, the fair value measurement will be included in level 1. When the fair value of debt securities issued is determined by valuation techniques and all significant inputs required to fair value are observable, it is included in level 2.

The other financial instruments not measured at fair value in the consolidated financial statements are calculated as the present value of the estimated future cash flows based on observable yield curves. Due to their short duration or the floating rate which is mark to market, the difference between carrying value and fair value of these financial assets is not significant.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.4 Fair value of financial assets and liabilities (Continued)

##### (c) Financial instruments measured at fair value

As at 31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	14,628,280	–	14,628,280
– Interbank certificates of deposit	–	883,749	–	883,749
– Asset management schemes by securities firms or trust companies	21,087,400	70,951,524	–	92,038,924
– Wealth management products	–	14,580,574	–	14,580,574
	–	–	–	–
Derivative financial assets	–	137,998	–	137,998
Financial assets at fair value through other comprehensive income				
– Debt securities	–	118,548,262	–	118,548,262
– Equity securities	–	–	–	–
	–	234,765	–	234,765
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	27,759,091	–	27,759,091
<b>Total assets</b>	<b>21,087,400</b>	<b>247,724,243</b>	<b>–</b>	<b>268,811,643</b>
Derivative financial liabilities	–	(140,781)	–	(140,781)
<b>Total liabilities</b>	<b>–</b>	<b>(140,781)</b>	<b>–</b>	<b>(140,781)</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2020  
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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.4 Fair value of financial assets and liabilities (Continued)

##### (c) *Financial instruments measured at fair value (Continued)*

As at 31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss				
– Debt securities	–	2,534,833	–	2,534,833
– Interbank certificates of deposit	–	49,676	–	49,676
– Asset management schemes by securities firms or trust companies	5,534,868	49,333,793	–	54,868,661
– Wealth management products	–	36,325,749	–	36,325,749
Derivative financial assets	–	235,406	–	235,406
Financial assets at fair value through other comprehensive income				
– Debt securities	–	95,905,662	–	95,905,662
– Interbank certificates of deposit	–	5,511,326	–	5,511,326
– Equity securities	–	180,876	–	180,876
Loans and advances to customers at fair value through other comprehensive income				
– Discounted bills	–	21,870,165	–	21,870,165
<b>Total assets</b>	<b>5,534,868</b>	<b>211,947,486</b>	<b>–</b>	<b>217,482,354</b>
Derivative financial liabilities	–	(281,329)	–	(281,329)
<b>Total liabilities</b>	<b>–</b>	<b>(281,329)</b>	<b>–</b>	<b>(281,329)</b>

The Group uses valuation techniques to determine the fair value of financial instruments when open quotation in active markets is not available.

Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and derivative financial instruments are stated at fair value by reference to the quoted market prices when available. If quoted market prices are not available, the fair values will be estimated using the discounted cash flow or pricing models. For debt securities, the fair values are determined based on the valuation results provided by China Central Depository Trust & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data.

## Notes to the Consolidated Financial Statements

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### 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 53.5 Capital management

The Group takes sufficient measures of capital management to prevent inherent risks associated with the Group's business for the purpose of meeting external regulators' requirements and shareholders' expectation on returns. Capital management is also aimed to stimulate the expansion of capital scale and to improve risk management.

The Group prudently set the objective of capital ratio, taking into account regulatory requirements and the risk situation the Group faces. The Group takes a variety of actions, limit management for example, to ensure the realization of the objectives and proactively adjust its capital structure in line with economic development and risk characteristics. Generally, the measure of capital structure adjustment includes the modification of dividend distribution plan, raising new capital and issuance of new bonds.

Started on 1 January 2013, the Group implemented "The Trial Measures for Capital Management of Commercial Banks" which promulgated by the CBRC on 7 June 2012.

The table below summarizes the Capital Adequacy Ratios of the Group as at 31 December 2020:

		As at 31 December 2020	As at 31 December 2019
Common Equity Tier-one Capital Adequacy Ratio	(a)	<b>8.04%</b>	8.85%
Tier-one Capital Adequacy Ratio	(a)	<b>9.89%</b>	10.85%
Capital Adequacy Ratio	(a)	<b>12.12%</b>	13.21%
Common Equity Tier-one Capital	(b)	<b>88,950,202</b>	72,785,738
Common shares		<b>13,889,801</b>	12,154,801
Capital reserve		<b>15,868,827</b>	8,585,572
Surplus reserve and General reserve		<b>25,529,877</b>	22,480,310
Undistributed profits		<b>31,762,661</b>	27,998,413
Eligible portion of minority interests		<b>1,899,036</b>	1,566,642
Deductible Items from Common Equity Tier-one Capital	(c)	<b>(18,679,489)</b>	(1,343,168)
Net Common Equity Tier-one Capital		<b>70,270,713</b>	71,442,570
Additional Tier-one Capital	(d)	<b>16,243,106</b>	16,198,787
Net Tier-one Capital		<b>86,513,819</b>	87,641,357
Tier-two capital	(e)	<b>19,436,895</b>	19,066,882
Tier 2 capital instruments issued and related premium		<b>8,800,000</b>	9,200,000
Excess loan loss provisions		<b>10,137,293</b>	9,449,111
Eligible portion of non-controlling interests		<b>499,602</b>	417,771
Net Capital		<b>105,950,714</b>	106,708,239
Risk-weighted Assets	(f)	<b>874,345,827</b>	807,541,926



# Notes to the Consolidated Financial Statements

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## 53 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 53.5 Capital management (Continued)

Pursuant to the “Capital Rules for Commercial Banks (Provisional)”

- (a) The scope of consolidation related to the calculation of the Group’s Capital Adequacy Ratios includes Institutions and affiliated financial subsidiaries specified in the Regulation. The Common Equity Tier-one Capital Adequacy Ratio is calculated as Net Common Equity Tier-one Capital divided by Risk-weighted Assets. The Tier-one Capital Adequacy Ratio is calculated as Net Tier-one Capital divided by Risk-weighted Assets. The Capital Adequacy Ratio is calculated as Net Capital divided by Risk-weighted Assets.
- (b) The Group’s Common Equity Tier-one Capital includes: ordinary share capital, capital reserve (subject to regulatory limitations), surplus reserve, general reserve, retained earnings and, non-controlling interests, to the extent permitted in the Common Equity Tier-one Capital under the Regulation.
- (c) The Group’s Deductible Items from Common Equity Tier-one Capital include: other intangible assets (excluding land-use rights), and Common Equity Tier-one Capital investments made in financial institutions over which the Group has control but are outside the regulatory consolidation scope for the Capital Adequacy Ratios calculation.
- (d) The Group’s Additional Tier-one Capital includes preference shares, perpetual bonds and non-controlling interests (to the extent permitted in the Additional Tier-one Capital definition under the Regulation).
- (e) The Group’s Tier-two Capital includes: Tier-two capital instruments and related premium (to the extent allowed under the Regulation), excessive allowance for loan losses, and minority interests (to the extent permitted in the Tier-two Capital definition under the Regulation).
- (f) Risk-weighted Assets include Credit Risk-weighted Assets, Market Risk-weighted Assets and Operational Risk-weighted Assets.

### 53.6 Fiduciary activities

The Group provides custodian and trustee services to third parties. These assets arising thereon are excluded from the consolidated financial statements. The Group also grants entrusted loans on behalf of third-party lenders, which are not included in the consolidated financial statements either.

	As at 31 December 2020	As at 31 December 2019
Entrusted loans	<b>38,160,991</b>	62,017,917
Entrusted wealth management products	<b>169,688,147</b>	180,689,009

# Notes to the Consolidated Financial Statements

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## 54 SUBSEQUENT EVENTS

### 54.1 Profit distribution:

In accordance with the resolution of the 30th meeting of the fourth session of the Board of Directors held on 26 March 2021, the profit distribution plan of the Bank for the year ended 31 December 2020 (subject to approval by the shareholders' meeting) is as follows:

- (i) An appropriation of 10% of profit for the year 2020 amounting to RMB914.75 million to the statutory surplus reserve;
- (ii) An appropriation of 10% of profit for the year 2020 amounting to RMB914.75 million to the discretionary surplus reserve;
- (iii) An appropriation of RMB1,083.82 million to the general reserve;

### 54.2 Share registration

The group issued 1,735,000,000 shares of domestic shares on 30 December 2020, the actual amount of capital raised amounted to RMB9,863.75 million and the total shares issued reached 13,889,801,211 shares. The raised funds have been verified by Ernst & Young Huaming LLP which issued a capital verification report. The stocks corresponding to the capital increase of 1,735,000,000 shares mentioned above were registered at CSDC on 4 January 2021.

There are no other significant subsequent events besides events mentioned above up to the reporting date.

## Appendix I – Unaudited Supplementary Financial Information

(All amounts expressed in thousands of RMB unless otherwise stated)

According to Hong Kong Listing Rules and disclosure requirements of the banking industry, the Group discloses the following supplementary financial information:

### 1 LIQUIDITY RATIOS

	As at 31 December 2020	As at 31 December 2019
RMB current assets to RMB current liabilities	<b>56.47%</b>	43.22%
Foreign currency current assets to foreign currency current liabilities	<b>132.54%</b>	204.09%

### 2 CURRENCY CONCENTRATIONS

	USD	EUR	Other	Total
<b>As at 31 December 2020</b>				
Spot assets	<b>9,058,833</b>	<b>49,717</b>	<b>674,784</b>	<b>9,783,334</b>
Spot liabilities	<b>(6,177,558)</b>	<b>(25,232)</b>	<b>(791,340)</b>	<b>(6,994,130)</b>
Forward purchases	<b>513,899</b>	<b>124,830</b>	–	<b>638,729</b>
Forward sales	<b>(3,586,364)</b>	<b>(124,817)</b>	<b>(33,339)</b>	<b>(3,744,520)</b>
Net long/(short) position	<b>(191,190)</b>	<b>24,498</b>	<b>(149,895)</b>	<b>(316,587)</b>
<b>As at 31 December 2019</b>				
Spot assets	9,401,940	113,389	349,015	9,864,344
Spot liabilities	(12,154,962)	(12,913)	(26,412,067)	(38,579,942)
Forward purchases	8,973,195	–	9,599	8,982,794
Forward sales	(1,083,561)	–	–	(1,083,561)
Net long/(short) position	5,136,612	100,476	(26,053,453)	(20,816,365)

### 3 INTERNATIONAL CLAIMS

International claims are the sum of cross-border claims in all currencies and local claims in foreign currencies. The Group is principally engaged in business operations within Chinese Mainland, and regards all the claims on third parties outside Chinese Mainland as cross border claims.

International claims include balances with central bank, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions, financial assets held for trading, financial assets designated at fair value through profit or loss, loans and advances to customers, financial assets held under resale agreements, financial assets at fair value through other comprehensive income and financial assets at amortised cost.

International claims are disclosed based on different countries or regions. A country or region is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose head office is located in another country.

## Appendix I – Unaudited Supplementary Financial Information

(All amounts expressed in thousands of RMB unless otherwise stated)

### 3 INTERNATIONAL CLAIMS (CONTINUED)

	Banks and other financial institutions	Non-bank private institutions	Total
<b>As at 31 December 2020</b>			
Asia Pacific excluding Chinese mainland	216,200	400,163	616,363
– Hong Kong	212,880	400,163	613,043
Europe	26,884	–	26,884
North and South America	1,002,421	–	1,002,421
Oceania	1,480	–	1,480
<b>Total</b>	<b>1,246,985</b>	<b>400,163</b>	<b>1,647,148</b>
<b>As at 31 December 2019</b>			
Asia Pacific excluding Chinese mainland	2,223,156	1,366,904	3,590,060
– Hong Kong	2,220,639	1,366,904	3,587,543
Europe	18,728	–	18,728
North and South America	1,160,685	–	1,160,685
Oceania	1,093	–	1,093
<b>Total</b>	<b>3,403,662</b>	<b>1,366,904</b>	<b>4,770,566</b>

### 4 LOANS AND ADVANCES TO CUSTOMERS

#### 4.1 Overdue loans and advances to customers

Total amount of overdue loans and advances to customers:

	As at 31 December 2020	As at 31 December 2019
Total loans and advances to customers which have been overdue:		
Within 3 months	3,987,320	2,597,747
Within 3 to 6 months	4,137,990	987,499
Within 6 to 12 months	2,835,265	1,216,414
Over 12 months	1,787,421	1,646,409
<b>Total</b>	<b>12,747,996</b>	<b>6,448,069</b>
By percentage:		
Within 3 months	31.28%	40.30%
Within 3 to 6 months	32.46%	15.31%
Within 6 to 12 months	22.24%	18.86%
Over 12 months	14.02%	25.53%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Appendix I – Unaudited Supplementary Financial Information

(All amounts expressed in thousands of RMB unless otherwise stated)

### 4 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

#### 4.1 Overdue loans and advances to customers (Continued)

Total amount of overdue loans and advances to customers and allowance assessment by geographic segment:

	Anhui Province	Jiangsu Province	Other	Total
<b>As at 31 December 2020</b>				
Overdue loans and advances to customers	8,762,006	1,868,922	2,117,068	12,747,996
Individually assessed	(7,173,926)	(1,803,381)	(54,604)	(9,031,911)
<b>As at 31 December 2019</b>				
Overdue loans and advances to customers	5,975,231	472,838	–	6,448,069
Individually assessed	(4,078,485)	(263,087)	–	(4,341,572)

Fair value of collateral against overdue loans and advances to customers:

	As at 31 December 2020	As at 31 December 2019
Fair value of collateral		
Corporate loans	16,056,492	4,346,979
Personal loans and advances	1,398,456	1,280,858
Total	17,454,948	5,627,837

#### 4.2 Identified impaired loans and advances

	Anhui Province	Jiangsu Province	Others	Total
<b>As at 31 December 2020</b>				
Identified impaired loans and advances for which allowance is:				
Individually assessed	7,815,160	1,672,453	1,870,448	11,358,061
	(7,230,689)	(1,712,277)	(98,171)	(9,041,137)
<b>As at 31 December 2019</b>				
Identified impaired loans and advances for which allowance is:				
Individually assessed	4,508,358	306,300	–	4,814,658
	(4,077,116)	(252,333)	–	(4,329,449)

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(All amounts expressed in thousands of RMB unless otherwise stated)

In accordance with the regulations of China Banking and Insurance Regulatory Commission, Huishang Bank Co., Ltd. shall disclose the following information:

### 1 MAJOR RELATED TRANSACTIONS REVIEWED BY THE BOARD OF DIRECTORS

In 2020, according to regulations such as the commercial Banks with internal related transaction management and the shareholders method, “commercial bank equity management interim measures,” of the above file which defines related party (hereinafter referred to as “CBIRC related party”). Related significant related party transactions bill has been carried on the review, details are as follows:

The board of directors			New line of credit (including low risk quota)	note
The review time		Content		
2020/3/4	Fourteenth meeting of the fourth board of directors	On the examination of Anhui Provincial Communications Holding Group Co., Ltd. Group credit related transactions bill	2,000,000	
		A bill on the examination of related transactions of Anhui Communications Holding Group Co., Ltd. and its affiliated enterprises	10,841,875	
		The bill on examining the related transactions of Anhui Publishing Group Co., Ltd. and its affiliated enterprises	2,480,000	
2020/3/31	The 15th meeting of the fourth board of directors	The proposal on examining the related transactions of Anhui Provincial Microfinance Refinancing Co., Ltd	300,000	
		The motion on the examination of related transactions of Chery Commercial Vehicle (Anhui) Co., Ltd	1,000,000	
		A bill on the examination of affiliated transactions of Huiyin Financial Leasing Co., Ltd	7,000,000	
2020/4/29	Sixteenth meeting of the fourth board of directors	The proposal on examining the related transactions between Huishang Bank and Chery Automobile Co., Ltd and its affiliated enterprises	7,960,000	Another RMB450 million of indirect credit limit was granted to related enterprises
		On the change of Hefei Xingtai Financial Holdings (Group) Co., Ltd. Group credit conditions of the motion	4,573,810	The credit limit is not increased, only involves the change of credit conditions
2020/6/29	Eighteenth meeting of the fourth board of directors	A bill on the examination of related transactions of Anhui Provincial Energy Group Co., Ltd. and its affiliated enterprises	2,290,000	
		Proposal on examining related transactions of Hefei Urban Construction East Lu Real Estate Co., Ltd	600,000	

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(All amounts expressed in thousands of RMB unless otherwise stated)

## 1 MAJOR RELATED TRANSACTIONS REVIEWED BY THE BOARD OF DIRECTORS (CONTINUED)

The board of directors			New line of credit (including low risk quota)	
The review time		Content		note
		On the deliberation of Wuhu Xingwan Chuangzhan Real Estate Development Co., Ltd. Related transactions motion	800,000	
		On the consideration of the Zongyang County Public Transportation Co., Ltd. Related transactions of the bill	170,000	The credit limit is not increased, only involves the change of credit conditions
		The bill on examining the related transactions of Anhui Times Innovation Technology Investment and Development Co., Ltd	2,480,000	The credit limit is not increased, only involved the Remarks
2020/8/27	The twentieth meeting of the fourth board of directors	On the examination of Huishang Bank and Mingguang City Urban and Rural Bus Co., Ltd. Related transactions motion	160,000	
2020/11/10	The 24th meeting of the fourth board of directors	The proposal on examining the related transactions between Huishang Bank and Chery Automobile Co., Ltd and its affiliated enterprises	11,195,000	
		The bill on examining the related transactions between Huishang Bank and Hua'an Securities Co., Ltd	3,000,000	
		The bill on examining the related transactions between Huishang Bank and Guoyuan Securities Company Limited	1,500,000	
		The motion on the examination of the related transactions between Huishang Bank and CCB Financial Leasing Co., Ltd	1,500,000	
2020/12/22	Twenty-fifth meeting of the fourth board of directors	The proposal on examining the related transactions between Huishang Bank and Wuhu Construction Investment Co., Ltd. and its affiliated enterprises	2,257,000	Applied for RMB2.257 billion and RMB2.247 billion approved
		The proposal on examining the related transactions between Huishang Bank and Hefei Xingtai Financial Holding (Group) Co., Ltd	6,108,810	Application of loan limits from the group for the amount of RMB6.328 billion
		The bill on examining the related transactions between Huishang Bank and Anhui Guarantee Asset Management Co., Ltd	1,000,000	

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### 1 MAJOR RELATED TRANSACTIONS REVIEWED BY THE BOARD OF DIRECTORS (CONTINUED)

In addition, the 15th meeting of the 4th Board of Directors of the Bank was held on March 31, 2020 to examine and pass the “Proposal on the 2020 Annual Daily Related Party Transaction Business Plan of Huishang Bank” and formulate the annual related party transaction plan with related parties in terms of capital, bills, bonds, investment and other businesses.

### 2 IMPLEMENTATION OF MAJOR RELATED PARTY TRANSACTIONS

As of the end of 2020, the major related transactions between Huishang Bank Co., Ltd. and affiliated parties of the Banking and Insurance Regulatory Commission are as follows:

#### 2.1 The amount of a single related transaction accounts for more than 1% of the commercial bank’s net capital

##### (1) *Huiyin Financial Leasing Co., Ltd*

Related party	Transaction type	Amount	Note
Huiyin Financial Leasing Co. Ltd	Interbank borrowing	1,200,000	

##### (2) *Huiyin Wealth Management Co., Ltd*

Related party	Transaction type	Amount	Note
Huiyin Wealth Management Co., Ltd	Equity investment	2,000,000	



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### 2 IMPLEMENTATION OF MAJOR RELATED PARTY TRANSACTIONS (CONTINUED)

#### 2.2 The balance of related transactions accounts for at least 5% of the net capital of a commercial bank

(1) *Huiyin Financial Leasing Co., Ltd*

Related party	Transaction type	Amount	Note
		1,200,000	
		1,000,000	
	Interbank borrowing	500,000	
		700,000	
		1,200,000	
		95,000	
		150,000	
		150,000	
		70,000	
		150,000	
		100,000	
Huiyin Financial Leasing Co. Ltd		200,000	
	Domestic letter of credit	150,000	
		47,500	
		145,500	
		147,000	
		92,000	
		150,000	
		130,000	
		138,000	
	Banker's acceptance	95,000	A total of 150 cases, the single amount of the lowest 200,000 yuan, the highest 1 million yuan

### 3 THE RELATED TRANSACTIONS WITH THE ASSOCIATED NATURAL PERSON

Insiders, that is, directors, senior managers of the head office and branches, and other personnel who have the power to decide on or participate in the credit granting and asset transfer of commercial banks; (2) a close relative of an insider; (3) The controlling natural person shareholders, directors and key management personnel of the related legal person or other organization. The related legal person or other organization referred to in this paragraph does not include the legal person or other organization which is directly, indirectly, under the joint control of the insiders of the Bank and their close relatives or which can exert significant influence; (4) Other natural persons who have a major influence on the Bank. If the equity held or controlled by a natural person shareholder of the Bank is less than 5%, there is no major natural person shareholder of the Bank.

By the end of 2020, the balance of related transactions of natural persons in the Bank was 559,182 thousand yuan, mainly for personal housing, personal comprehensive consumption revolving loan and credit card overdraft, all of which were general related transactions.