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BANK OF GANSU CO., LTD.*
甘肅銀行股份有限公司*

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

(Stock Code: 2139)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2020

The board of directors (the “**Board of Directors**” or the “**Board**”) of Bank of Gansu Co., Ltd. (the “**Bank**”) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank and its subsidiary (collectively the “**Group**”) for the year ended December 31, 2020 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards promulgated by the International Accounting Standards Board. The Board and its audit committee have reviewed and confirmed the Annual Results.

1. BASIC INFORMATION OF THE COMPANY

Legal Name of the Company in Chinese : 甘肅銀行股份有限公司

Legal Name of the Company in English : Bank of Gansu Co., Ltd.

Legal Representative : Liu Qing

Authorized Representatives : Liu Qing, Wong Wai Chiu

Secretary to the Board : Hao Jumei

Company Secretary : Wong Wai Chiu

Registered Address	:	No. 122, Gannan Road, Chengguan District, Lanzhou, Gansu Province, the People's Republic of China (the “ PRC ”)
Principal Office Address	:	Gansu Bank Building, 525-1 Donggang West Road, Chengguan District, Lanzhou City, Gansu Province, the PRC
Customer Service Hotline	:	+86 400 86 96666
Telephone	:	+86 931 877 1815
Facsimile	:	+86 931 877 1877
Website of the Bank	:	www.gsbankchina.com
Principal Place of Business in Hong Kong	:	40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong
H Share Information Disclosure Website	:	www.hkexnews.hk
Stock Listing Place, Stock Short Name and Stock Code	:	The Stock Exchange of Hong Kong Limited (the “ Hong Kong Stock Exchange ”), BANK OF GANSU, 2139
Domestic Shares trustee agency	:	China Securities Depository and Clearing Corporation Limited
H Share Registrar	:	Computershare Hong Kong Investor Services Limited Shops 1712–1716 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

PRC Legal Adviser	:	Grandall Law Firm (Shanghai) 23–25/F, Garden Square 968 West Beijing Road Shanghai, the PRC
Hong Kong Legal Adviser	:	Latham & Watkins LLP 18/F, One Exchange Square 8 Connaught Place Central, Hong Kong
Domestic Auditor	:	Shinewing Certified Public Accountants LLP 9/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie Dong Cheng District, Beijing, the PRC
International Auditor	:	SHINEWING (HK) CPA Limited 43/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong
Place of Inspection of the Annual Report	:	Office of the Board of the Bank

2. FINANCIAL HIGHLIGHTS

2.1 Five-year Financial Data

(Expressed in millions of RMB, unless otherwise stated)

	2020	2019	2018	2017	2016
Results of operations					
Interest income	14,752.9	14,380.0	15,327.1	14,045.8	12,063.0
Interest expense	(9,002.5)	(9,092.1)	(8,199.3)	(6,560.8)	(5,392.8)
Net interest income	5,750.4	5,287.9	7,127.8	7,485.0	6,670.2
Fee and commission income	379.3	357.6	362.7	462.8	327.4
Fee and commission expenses	(50.4)	(104.4)	(196.6)	(86.1)	(71.1)
Net fee and commission income	328.9	253.2	166.1	376.7	256.3
Net trading gains/(losses)	716.3	1,489.8	1,089.2	(21.9)	(8.0)
Net (losses)/gains arising from investment securities	(1.4)	131.2	42.7	116.9	–
Net exchange (losses)/gains	(279.7)	68.9	388.2	(13.2)	9.9
Other operating (expenses)/income, net	(21.2)	2.3	58.2	109.0	42.5
Operating income	6,493.3	7,233.3	8,872.2	8,052.5	6,970.9
Operating expenses	(2,319.5)	(2,356.5)	(2,271.0)	(2,052.2)	(1,903.8)
Impairment losses on assets, net of reversals	(3,754.5)	(4,312.0)	(1,962.4)	(1,523.0)	(2,504.4)
Operating profit	419.3	564.8	4,638.8	4,477.3	2,562.7
Share of result of an associate	1.3	(0.1)	(1.0)	1.8	1.9
Profit before tax	420.6	564.7	4,637.8	4,479.1	2,564.6
Income tax credit/(expense)	141.8	(53.4)	(1,198.2)	(1,115.4)	(643.6)
Profit for the year	562.4	511.3	3,439.6	3,363.7	1,921.0
Profit for the year attributable to:					
– Owners of the Bank	558.2	509.1	3,435.3	3,358.5	1,917.0
– Non-controlling interests	4.2	2.2	4.3	5.2	4.0
Profit for the year	562.4	511.3	3,439.6	3,363.7	1,921.0

(Expressed in millions of RMB, unless otherwise stated)	2020	2019	2018	2017	2016
Major indicators of assets/ liabilities					
Total assets	342,363.8	335,044.5	328,622.4	271,147.6	245,056.4
Of which: total loans and advances to customers	181,825.7	170,449.2	160,885.3	130,283.6	107,855.1
Total liabilities	310,899.0	310,355.5	303,374.8	254,534.6	231,712.7
Of which: deposits from customers	249,677.7	236,868.7	210,723.3	192,230.6	171,165.3
Total equity	31,464.8	24,689.0	25,247.6	16,613.0	13,343.7
Per Share (RMB)					
Net assets per Share	2.09	2.45	2.51	2.21	1.77
Basic earnings per Share	0.06	0.05	0.35	0.45	0.25
Diluted earnings per Share	0.06	0.05	0.35	0.45	0.25
Profitability indicators (%)					
Return on assets ⁽¹⁾	0.17	0.15	1.15	1.30	0.84
Return on equity ⁽²⁾	2.00	2.05	16.43	22.46	15.10
Net interest spread ⁽³⁾	1.72	1.74	2.07	2.74	2.89
Net interest margin ⁽⁴⁾	1.97	1.96	2.37	2.91	3.08
Net fee and commission income to operating income ratio ⁽⁵⁾	5.07	3.50	1.87	4.68	3.68
Cost-to-income ratio ⁽⁶⁾	34.30	31.53	24.72	24.81	25.16
Capital adequacy indicators (%)					
Core tier-one capital adequacy ratio ⁽⁷⁾	12.85	9.92	11.01	8.71	8.58
Tier-one capital adequacy ratio ⁽⁸⁾	12.85	9.92	11.01	8.71	8.58
Capital adequacy ratio ⁽⁹⁾	13.39	11.83	13.55	11.54	11.80
Shareholders' equity to total assets ratio	9.19	7.37	7.68	6.13	5.45
Assets quality indicators (%)					
Non-performing loan ratio	2.28	2.45	2.29	1.74	1.81
Provision coverage ratio ⁽¹⁰⁾	131.23	135.87	169.47	222.00	192.72
Provision to total loan ratio ⁽¹¹⁾⁽¹²⁾	2.99	3.33	3.89	3.86	3.48
Other indicators (%)					
Loan to deposit ratio ⁽¹³⁾	72.82	71.96	76.35	67.77	63.01

Notes:

- (1) Calculated by dividing the net profit for a year by the average balance of total assets at the beginning and the end of that year.
- (2) Calculated by dividing the net profit for a year by the average balance of total equity at the beginning and the end of that year.
- (3) Represents the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of business tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (8) Tier-one capital adequacy ratio = (tier-one capital – corresponding capital deductions)/risk-weighted assets.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets.
- (10) Provision coverage ratio = provision for impairment losses on loans/total non-performing loans and advances.
- (11) Provision to total loan ratio = provision for impairment losses on loans/total loans and advances to customers.
- (12) In accordance with the relevant regulatory requirements, as a non-systematically important bank in China, the Bank's provision for total loan ratio shall follow the minimum standard of 2.5%.
- (13) Calculated by dividing total loans and advances to customers by total customer deposits. The loan to deposit ratio is no longer a regulatory ratio for PRC commercial banks under the amended PRC Commercial Banking Law, which became effective on October 1, 2015.

3. MANAGEMENT DISCUSSION AND ANALYSIS

Environment and Prospect

In 2020, COVID-19 pandemic damaged the global economy severely, causing the GDP of various countries to drop to historic low, and was described by the International Monetary Fund as the most serious recession since the Great Depression of the 1930s. China took solid steps to carry out the work of “Stability in Six Aspects” and comprehensively implement the tasks of “Guarantee for Six Areas”, and made full efforts to cope with the COVID-19 pandemic, achieving the main objectives in three major critical battles as scheduled. The robust monetary policy has played a positive role in sustaining the operations of market players and reducing the financing costs for the real economy, resulting in reasonable and sufficient market liquidity, while the proactive fiscal policy has promoted the economic recovery. China achieved an economic growth of 2.3% throughout the year, making it the only major economy in the world that has achieved positive growth. The economic operation of Gansu Province, where the Bank’s business activities are mainly located, has been stabilized and improved, realizing a growth rate of 3.9%, higher than that of most provinces and cities.

With challenges such as the accelerated opening-up of China’s banking industry, the tightening of the regulatory system, the overall decline in interest rates, the profound impact of fintech and the intensifying market competition, the weaknesses of urban commercial banks have been amplified, including weak development foundations, to-be-improved team capabilities and quality, extensive management, the lack of innovative capabilities and the left-behind digital transformation. Benefiting from the phased and structural “easy monetary” policy of the People’s Bank of China, the asset size of commercial banks has been expanded. However, credit risk prevention and control is a challenging task and the pressure is still a problem in the industry, and urban commercial banks are faced with the arduous task of risk prevention and control, as well as capital replenishment and profitability improvement.

In view of the overall domestic and international situation, the world today is undergoing major changes unprecedented in a century. The development of China remains in an important period of strategic opportunities, but there are new developments and changes in both opportunities and challenges. With the coexistence of opportunities and challenges, opportunities are hidden in and may emerge from crises. When entering a new stage of development and implementing the new development concept, China has established a new development pattern with domestic major cycle as the mainstay and mutual promotion of domestic and international dual cycle, which will inevitably accelerate the flow of various production factors to the western region and promote the transfer of industries from the eastern to the western region. Gansu is embracing an unprecedented historic development opportunity, which provides a sound external environment for the steady development of the Bank.

2021 is a year of special importance in the process of modernization, and also the first year for the Bank to implement the five-year strategic development plan. The Bank will adhere to its positioning, stay true to the founding mission, serve the real economy, seize the valuable overlapping opportunities, and deeply explore the unique advantages of local catch-up development, so as to promote the high-quality development of the Bank while better serving the development of Gansu Province.

Evaluation on the Impact of COVID-19

Since the nationwide outbreak of COVID-19 in January 2020, the prevention and control measures on the epidemic have been taken on a continuous basis across the country. The Bank will firmly implement a series of policies and measures including the Notice on Further Strengthening Financial Support for the Prevention and Control of COVID-19 (《關於進一步強化金融支持防控新型冠狀病毒感染肺炎疫情的通知》), the Guidance Opinions on Further Strengthening Financial Services for Small, Medium and Micro Enterprises (《關於進一步強化中小微企業金融服務的指導意見》) (Yin Fa [2020] No. 120), the Notice on Further Implementing the Phased Delay in Repayment of Principal and Interest of Loans for Small, Medium and Micro Enterprise (《關於進一步對中小微企業貸款實施階段性延期還本付息的通知》) (Yin Fa [2020] No. 122) and the Notice on Increasing the Support of Unsecured Loans for Micro and Small Enterprises (《關於加大小微企業信用貸款支援力度的通知》) (Yin Fa [2020] No. 123) jointly promulgated by the PBOC, the Ministry of Finance of the PRC, CBIRC and other ministries and the Notice on Printing and Distributing the Work Plan for “Security in the Six Areas” by the General Office of the People’s Government of Gansu Province of the Gansu Province Committee of CPC (《中共甘肅省委辦公廳甘肅省人民政府辦公廳關於印發「六保」工作方案的通知》) (Gan Ban Fa [2020] No. 16), so as to support entity enterprises to resume work and production, ensure employment, and strengthen financial support for the prevention and control of the pandemic.

The outbreak of COVID-19 has a certain impact on the operating of entities across the country and certain industries as well as the overall economic situation, which has in turn affected the quality or returns of the Bank’s credit assets and investment assets to a certain extent. Although the Bank actively responded to the call of national policies, strictly implemented relevant policies and formulated a financial service plan in respect of real economy based on local conditions to deal with the pandemic, there would still be a certain impact of the pandemic on the financial and operating conditions of the Bank.

Development Strategy

The Bank will set value creation in a prominent position, continuously enhance profitability, further improve the management of assets and liabilities, and pay more attention to the balance of scale and efficiency, with a view to build itself into “a listed urban commercial bank with high-quality development and a comprehensive financial service provider of the first choice in the region”.

To achieve the aforesaid goals, the Bank plans to: (i) vigorously expand six strategic businesses, including retail finance, inclusive finance, corporate finance, municipal finance, financial market and asset management and special asset operation; (ii) continuously improve its core capabilities such as risk and internal control and compliance, assets and liabilities management, omni-channel management and digitalization; (iii) strengthen risk management and control and improve asset quality; (iv) promote the transformation of light capital and optimize the revenue structure; (v) give play to the advantages of provincial urban commercial banks and take the path of characteristics; (vi) strengthen customer management and enhance profit contribution; (vii) replenish capital in a timely manner based on development needs; and (viii) optimize the structure of the talent team to empower high-quality development.

Overall Business Review

The Bank recorded a total operating income of RMB6,493.3 million in 2020, representing a decrease of 10.2% as compared to RMB7,233.3 million in 2019. The Bank's net profit increased by 10.0% from RMB511.3 million in 2019 to RMB562.4 million in 2020. The year-on-year decrease in the Bank's operating income was mainly due to the impact of COVID-19, the continuous decrease of foreign exchange rate of USD to RMB which resulted in losses from foreign exchange, and the fact that the Bank actively responded to the national policies, took initiative to adjust the asset structure, and enhanced the support for real economy and decreased the trading volume of investment assets which resulted in the year-on-year decrease of net trading gains; the year-on-year increased in net profit was mainly attributable to the enhancement of the asset quality of the Bank and the decrease in the provision for asset impairment loss.

As at December 31, 2020, the Bank's total assets amounted to RMB342,363.8 million, representing a year-on-year increase of 2.2%; total loans and advances to customers amounted to RMB181,825.7 million, representing a year-on-year increase of 6.7%; the non-performing loan ratio was 2.28%, representing a decrease of 0.17 percentage point as compared to the end of 2019, mainly because the Bank continued to improve its comprehensive risk management system, implemented a sound and prudent risk appetite and risk management strategy, continuously improved its asset quality control mechanism, strengthened credit access management, optimized its asset structure, and further strengthened its

efforts in disposal of non-performing assets, and the real economy has continued to improve since the second half of the year in line with a series of supporting policies implemented by the relevant authorities of the PRC, comprehensively facilitating the enhancement of the asset quality of the Bank; total deposits from customers amounted to RMB249,677.7 million, representing a year-on-year increase of 5.4%.

(a) Analysis of the Consolidated Statements of Profit or Loss

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Increase or decrease	Percentage change (%)
	2020	2019		
Interest income	14,752.9	14,380.0	372.9	2.6
Interest expense	(9,002.5)	(9,092.1)	89.6	(1.0)
Net interest income	5,750.4	5,287.9	462.5	8.7
Fee and commission income	379.3	357.6	21.7	6.1
Fee and commission expenses	(50.4)	(104.4)	54.0	(51.7)
Net fee and commission income	328.9	253.2	75.7	29.9
Net trading gains	716.3	1,489.8	(773.5)	(51.9)
Net (losses)/gains arising from investment securities	(1.4)	131.2	(132.6)	(101.1)
Net exchange (losses)/gains	(279.7)	68.9	(348.6)	(506.0)
Other operating (expenses)/ income, net	(21.2)	2.3	(23.5)	(1,021.7)
Operating income	6,493.3	7,233.3	(740.0)	(10.2)
Operating expenses	(2,319.5)	(2,356.5)	37.0	(1.6)
Impairment losses on assets, net of reversals	(3,754.5)	(4,312.0)	557.5	(12.9)
Operating profit	419.3	564.8	(145.5)	(25.8)
Share of result of an associate	1.3	(0.1)	1.4	(1,400.0)
Profit before tax	420.6	564.7	(144.1)	(25.5)
Income tax credit/(expense)	141.8	(53.4)	195.2	(365.5)
Profit for the year	562.4	511.3	51.1	10.0
Profit for the year attributable to:				
– Owners of the Bank	558.2	509.1	49.1	9.6
– Non-controlling interests	4.2	2.2	2.0	90.9
Profit for the year	562.4	511.3	51.1	10.0

In 2020, the Bank's net profit was RMB562.4 million, representing a year-on-year increase of 10.0%, mainly attributable to a series of policies implemented by the relevant authorities of the PRC, which relieved the repayment pressure of the loan customers, avoided further deterioration asset quality due to the pandemic, and the continuous recovery of the real economy in the second half of the year. The principal and interest repayment capabilities of loan customers has been improving, comprehensively facilitating the enhancement of the asset quality of the Bank and the decrease in the provision for asset impairment loss.

(i) *Net interest income*

The net interest income was the largest component of the Bank's operating revenue, accounting for 73.1% and 88.6% of the operating income in 2019 and 2020, respectively. Such increase in the percentage for 2020 was attributable to adjustments to its business structure and an increase in the percentage in net interest income as a result of the foreign exchange loss due to the fluctuation of USD exchange rate caused by the pandemic. The table below sets forth the Bank's interest income, interest expenses and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Increase or decrease	Percentage change (%)
	2020	2019		
Interest income	14,752.9	14,380.0	372.9	2.6
Interest expense	<u>(9,002.5)</u>	<u>(9,092.1)</u>	<u>89.6</u>	<u>(1.0)</u>
Net interest income	<u>5,750.4</u>	<u>5,287.9</u>	<u>462.5</u>	<u>8.7</u>

The table below sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expenses and the average yield of related assets or average cost of related liabilities of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2020			Year ended December 31, 2019		
	Average balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)	Average balance ⁽¹⁾	Interest income	Average yield ⁽²⁾ (%)
Interest-earning assets						
Loans and advances to customers	171,553.7	10,088.3	5.88	157,708.9	9,970.7	6.32
Investment securities and other financial assets ⁽³⁾	113,831.3	4,613.5	4.05	97,736.0	3,969.9	4.06
Deposits with banks	1,525.1	40.1	2.63	6,804.0	244.1	3.59
Financial assets held under resale agreements and placements with banks and other financial institutions	16,645.5	350.5	2.11	14,972.2	451.8	3.02
Deposits with the central bank ⁽⁴⁾	23,420.6	350.6	1.50	26,055.0	392.8	1.51
Total interest-earning assets	326,976.2	15,443.0	4.72	303,276.1	15,029.3	4.96
(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2020			Year ended December 31, 2019		
	Average balance ⁽¹⁾	Interest expense	Average cost ⁽²⁾ (%)	Average balance ⁽¹⁾	Interest expense	Average cost ⁽²⁾ (%)
Interest-bearing liabilities						
Deposits from customers	248,589.9	7,171.3	2.88	219,154.5	6,583.1	3.00
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	2,768.6	82.8	2.99	7,913.8	262.6	3.32
Debt securities issued ⁽⁵⁾	35,036.7	1,219.2	3.48	38,566.0	1,579.6	4.10
Deposits from banks and other financial institutions	10,667.5	461.7	4.33	11,741.7	483.0	4.11
Borrowings from the central bank	2,723.7	61.2	2.25	4,452.4	177.2	3.98
Lease liabilities	301.7	6.3	2.09	303.1	6.6	2.18
Total interest-bearing liabilities	300,088.1	9,002.5	3.00	282,131.5	9,092.1	3.22
Net interest income		6,440.5			5,937.2	
Net interest spread⁽⁶⁾			1.72			1.74
Net interest margin⁽⁷⁾			1.97			1.96

Notes:

- (1) The daily average balances of interest-earning assets and interest-bearing liabilities are derived from our unaudited management accounts of the Bank.
- (2) Calculated by dividing interest income/expense by average balance.
- (3) Primarily includes interest income from debt investments and others; the main difference against interest income is that such item includes interest income from financial assets at fair value through profit or loss classified into net trading gains.
- (4) Primarily includes statutory deposit reserves, surplus deposit reserves and fiscal deposits reserves.
- (5) Primarily includes interbank certificates and tier-two capital bonds.
- (6) Represents the difference between the average yield of total interest-earning assets and the average cost of total interest-bearing liabilities.
- (7) Calculated by dividing net interest income by the daily average balance of interest-earning assets.

The table below sets forth the changes in interest income and interest expense attributable to changes in amount and interest rate for the periods indicated. Changes in amount are measured by changes in average balances, and changes in interest rate are measured by changes in average interest rates. Changes caused by both amount and interest rate have been allocated to changes in amount.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2020 vs 2019 Increase/(decrease) due to		
	Amount ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	814.1	(693.9)	117.6
Investment securities and other financial assets	651.9	(9.8)	643.6
Deposits with banks	(138.8)	(65.3)	(204.0)
Financial assets held under resale agreements and placements with banks and other financial institutions	35.3	(136.2)	(101.3)
Deposits with the central bank	(39.5)	(2.6)	(42.2)
Change in interest income	1,118.6	(727.9)	413.7

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2020 vs 2019 Increase/(decrease) due to		
	Amount ⁽¹⁾	Interest rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-bearing liabilities			
Deposits from customers	847.7	(263.0)	588.2
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	(153.8)	(26.1)	(179.8)
Debt securities issued	(122.8)	(239.1)	(360.4)
Deposits from banks and other financial institutions	(46.5)	25.8	(21.3)
Borrowings from the central bank	(38.9)	(77.0)	(116.0)
Lease liabilities	—	(0.3)	(0.3)
Change in interest expense	538.7	(620.7)	(89.6)
Change in net interest income	579.9	(107.2)	503.3

Notes:

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

(ii) *Interest income*

The table below sets forth the principal components of interest income of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2020		2019	
	Amount	% of total (%)	Amount	% of total (%)
Loans and advances to customers	10,088.3	65.2	9,970.7	66.4
Investment securities and other financial assets ⁽¹⁾	4,613.5	29.9	3,969.9	26.4
Deposits with banks	40.1	0.3	244.1	1.6
Financial assets held under resale agreements and placements with banks and other financial institutions	350.5	2.3	451.8	3.0
Deposits with the central bank	350.6	2.3	392.8	2.6
Total	15,443.0	100.0	15,029.3	100.0

Note:

- ⁽¹⁾ the main difference against interest income is that such item includes interest income from financial assets at fair value through profit or loss classified into net trading gains.

Interest income increased by 2.8% from RMB15,029.3 million in 2019 to RMB15,443.0 million in 2020, primarily due to a 7.8% increase in the average balance of interest-earning assets, from RMB303,276.1 million in 2019 to RMB326,976.2 million in 2020, partially offset by a decrease in the average yield of interest-earning assets from 4.96% in 2019 to 4.72% in 2020. The increase in the average balance of interest-earning assets was in line with the growth of our business. The decrease in the average yield of interest-earning assets was primarily due to the Bank's active implementation of a series of policies by the relevant authorities of the PRC in response to the impact of COVID-19 pandemic, which helped the resumption of work and production of enterprises, reduced fees and surrendered partial profits to entity enterprises, and the drop of LPR.

(A) Interest income from loans and advances to customers

Interest income from loans and advances to customers represented 66.4% and 65.2% of total interest income in 2019 and 2020, respectively. The table below sets forth the average balance, interest income and average yield of loans and advances to customers of the Bank by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Average balance ⁽¹⁾	Year ended December 31,				
		2020	Average yield (%)	Average balance ⁽¹⁾	2019	Average yield (%)
		Interest income			Interest income	
Corporate loans	109,974.0	7,017.5	6.38	106,724.7	7,103.5	6.66
Retail loans	35,950.6	2,243.0	6.24	27,547.6	1,888.8	6.86
Discounted bills	25,629.1	827.8	3.23	23,436.6	978.4	4.17
Total loans and advances to customers	171,553.7	10,088.3	5.88	157,708.9	9,970.7	6.32

Note:

⁽¹⁾ Represents the average of daily balances based on our unaudited management accounts of the Bank.

(B) Interest income from investment securities and other financial assets

Interest income from investment securities and other financial assets increased by 16.2% from RMB3,969.9 million in 2019 to RMB4,613.5 million in 2020, primarily due to a 16.5% increase in the average balance of investment securities and other financial assets, from RMB97,736.0 million in 2019 to RMB113,831.3 million in 2020. The increase in average balance was primarily due to our increased investments in financial assets to diversify our asset portfolio. The average yield was basically unchanged.

(C) Interest income from deposits with banks

Interest income from deposits with banks decreased by 83.6% from RMB244.1 million in 2019 to RMB40.1 million in 2020, primarily due to a 77.6% decrease in the average balance of deposits with banks, from RMB6,804.0 million in 2019 to RMB1,525.1 million in 2020, and a decrease in the average yield of deposits with banks, from 3.59% in 2019 to 2.63% in 2020. The decrease in average balance was due to our decreased investments in deposits with banks based on changes in interbank money market interest rates. The decrease in average yield was primarily because that the Bank took the initiative to adjust the asset structure, reduced the time deposits with banks which resulted in the decrease of average yield.

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

Interest income from financial assets held under resale agreements and placements with banks and other financial institutions decreased by 22.4% from RMB451.8 million in 2019 to RMB350.5 million in 2020, which was primarily due to a 11.2% increase in the average balance of financial assets held under resale agreements and placements with banks and other financial institutions, from RMB14,972.2 million in 2019 to RMB16,645.5 million in 2020; a decrease in the average yield of financial assets held under resale agreements and placements with banks and other financial institutions, from 3.02% in 2019 to 2.11% in 2020, was offset, which in turn resulted in a decrease in returns from reverse repurchase transactions.

(E) Interest income from deposits with the central bank

Interest income from deposits with the central bank decreased by 10.7% from RMB392.8 million in 2019 to RMB350.6 million in 2020, primarily due to a 10.1% decrease in the average balance of deposits with the central bank, from RMB26,055.0 million in 2019 to RMB23,420.6 million in 2020. The lower average balance was primarily due to a decrease of customer deposit reserve and a decrease of deposit reserve with the central bank, resulting in a decrease in average balance of deposits with the central bank.

(iii) *Interest expense*

The table below sets forth the principal components of interest expense of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2020		2019	
	Amount	% of total (%)	Amount	% of total (%)
Deposits from customers	7,171.3	79.7	6,583.1	72.4
Financial assets sold under repurchase agreements and placements from banks and other financial institutions	82.8	0.9	262.6	2.9
Debt securities issued	1,219.2	13.5	1,579.6	17.4
Deposits from banks and other financial institutions	461.7	5.1	483.0	5.3
Borrowings from the central bank	61.2	0.7	177.2	1.9
Lease liabilities	6.3	0.1	6.6	0.1
Total	9,002.5	100.0	9,092.1	100.0

Interest expense decreased by 1.0% from RMB9,092.1 million in 2019 to RMB9,002.5 million in 2020, primarily due to a decrease in the average cost of interest-bearing liabilities, from 3.22% in 2019 to 3.00% in 2020. The decrease in the average cost of interest-bearing liabilities was due to the decrease in market interest rates and the Bank's strengthening of marketing activities and reduction of the cost of debt. The average balance of interest-bearing liabilities increased 6.4% from RMB282,131.5 million in 2019 to RMB300,088.1 million in 2020, primarily due to the increase of customer deposits of the Bank in line with business growth.

(A) Interest expense on deposits from customers

Interest expense on deposits from customers increased by 8.9% from RMB6,583.1 million in 2019 to RMB7,171.3 million in 2020, primarily due to a 13.4% increase in the average balance of deposits from customers, from RMB219,154.5 million in 2019 to RMB248,589.9 million in 2020, and a decrease in the average

cost of deposits from customers, from 3.00% in 2019 to 2.88% in 2020. The increase in average balance of deposits from customers was mainly due to the increase of deposits from customers in line with the business growth. The decrease in the average cost of deposits from customers was due to lower market interest rates in, the enhancement of deposit marketing effort by the Bank and the reduction of deposit cost.

(B) Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions

Interest expense on financial assets sold under repurchase agreements and placements from banks and other financial institutions decreased by 68.5% from RMB262.6 million in 2019 to RMB82.8 million in 2020 primarily due to a 65.0% decrease in the average balance of financial assets sold under repurchase agreements and placements from banks and other financial institutions, from RMB7,913.8 million in 2019 to RMB2,768.6 million in 2020, and a decrease in the average cost of financial assets sold under repurchase agreements and placements from banks and other financial institutions, from 3.32% in 2019 to 2.99% in 2020. The decrease in average balance was primarily because we entered into less repurchase transactions. The decrease in average cost was primarily due to a decrease in the cost of repurchase transactions.

(C) Interest expense on debt securities issued

Interest expense on debt securities issued decreased by 22.8% from RMB1,579.6 million in 2019 to RMB1,219.2 million in 2020, primarily due to a 9.2% decrease in the average balance of debt securities issued, from RMB38,566.0 million in 2019 to RMB35,036.7 million in 2020, and a decrease in the average cost of debt securities issued, from 4.10% in 2019 to 3.48% in 2020. The decrease in average balance was primarily due to the maturity for repayment of certain issued bonds. The average cost decreased mainly because of the maturity for repayment of certain issued bonds with high interest rate, which lowered the average cost for the issued bonds and securities in general.

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

Interest expense on deposits from banks and other financial institutions decreased by 4.4% from RMB483.0 million in 2019 to RMB461.7 million in 2020, primarily due to a 9.1% decrease in the average balance of deposits from banks and other financial institutions, from RMB11,741.7 million in 2019 to RMB10,667.5 million in 2020, primarily because fund raising through deposits from banks and other financial institutions were reduced as a result of increase of deposits from customers and our issuance of interbank certificates. In 2019 and 2020, the average cost of deposits from banks and other financial institutions increased from 4.11% to 4.33%.

(E) Interest expense on borrowings from the central bank

Interest expense on borrowings from the central bank decreased by 65.5% from RMB177.2 million in 2019 to RMB61.2 million in 2020, primarily due to a 38.8% decrease in the average balance of borrowings from the central bank, from RMB4,452.4 million in 2019 to RMB2,723.7 million in 2020, primarily due to the repayment of borrowings from the central bank for the period and the maturity of re-discounted bills.. From 2019 to 2020. The average cost of borrowings from the central bank decreased from 3.98% to 2.25% in 2020, respectively.

(iv) Net interest spread and net interest margin

Net interest spread decreased from 1.74% in 2019 to 1.72% in 2020, primarily due to a decrease in average yield of total interest-earning assets, from 4.96% to 4.72%, primarily due to (i) the impact of the pandemic. the relevant authorities of the PRC implemented a series of policies which help the resumption of work and production of enterprises, fee reduction and surrender of profit. The Bank proactively responded to the national policies and surrendered profits to entity enterprises; (ii) the decrease of LPR; (iii) the decrease in the average cost of total interest-bearing liabilities, from 3.22% to 3.00%, primarily due to decrease in market interest rate and the enhancement of liability marketing of the Bank, which reduced the liability cost.

Net interest margin increased from 1.96% in 2019 to 1.97% in 2020, the net interest margin basically remained stable.

(v) *Non-interest income*

(A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Increase or decrease	Percentage change (%)
	2020	2019		
Fee and commission income				
Wealth management service fees	50.4	36.2	14.2	39.2
Agency service fees	68.2	120.6	(52.4)	(43.4)
Settlement and clearing fees	190.7	146.4	44.3	30.3
Bank acceptance bill service fees	41.5	27.6	13.9	50.4
Letters of guarantee fees	2.3	2.5	(0.2)	(8.0)
Others ⁽¹⁾	26.2	24.3	1.9	7.8
Subtotal	379.3	357.6	21.7	6.1
Fee and commission expenses	(50.4)	(104.4)	54.0	(51.7)
Net fee and commission income	328.9	253.2	75.7	29.9

Note:

⁽¹⁾ Primarily include guarantee fees and advisory service income.

Net fee and commission income increased by 29.9% from RMB253.2 million in 2019 to RMB328.9 million in 2020, primarily because the Bank actively promoted the transition of business, the optimization of business structure and the enhancement of marketing effort for product expansion.

Fee and commission expenses mainly included settlement and clearing service fees paid to third parties and debit card service fees. Fee and commission expenses decreased by 51.7% from RMB104.4 million in 2019 to RMB50.4 million in 2020, primarily because the Bank actively promoted the transition of business, the optimization of business structure and the enhancement of marketing effort for product expansion.

(B) Net trading gains

Net trading gains primarily included gains from disposal of financial assets and interest income from financial assets held for trading for the period. We had net trading gains of RMB1,489.8 million in 2019, and net trading gains of RMB716.3 million in 2020, primarily reflecting gains from disposal of, and holding financial assets. The decrease was mainly due to the fact that the Bank actively responded to the national policies, took the initiative to adjust the asset structure, enhanced the support for real economy and decreased the trading volume of investment assets which resulted in a large decrease of net trading gains, as well as the impact of COVID-19 pandemic, which resulted in floating losses on fair value of investments assets.

(C) Net (losses) gains arising from investment securities

The net gains arising from investment securities and other financial assets included net gains from selling investment securities and other financial assets and revaluation gains arising from the reclassification of other comprehensive income to gains or losses upon the disposal of assets. The net gains arising from investment securities and other financial assets of the Bank was RMB131.2 million in 2019. The net losses arising from investment securities and other financial assets of the Bank was RMB1.4 million in 2020. The net losses was mainly due to the difference of asset trading.

(D) Net exchange (losses) gains

Net exchange gains mainly included net gains arising out of foreign exchange settlement and translation of foreign exchange investment assets. We had net exchange gains of RMB68.9 million in 2019 and net exchange losses of RMB279.7 million in 2020, primarily reflecting that the global economy was still in recession and the exchange rate continued to drop.

(E) Other operating (expenses) income, net

Other operating income mainly included government subsidies, net income from the short-term leasing of fixed assets and assets disposal and others. Other operating income of the Bank was RMB2.3 million in 2019. In 2020, the other operating expenses of the Bank was RMB21.2 million, mainly due to the loss of asset disposal and increase of other expenses.

(vi) *Operating expenses*

Operating expenses decreased by 1.6% from RMB2,356.5 million in 2019 to RMB2,319.5 million in 2020, primarily due to a decrease of staff costs.

The table below sets forth the principal components of operating expenses of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Increase or decrease	Percentage change (%)
	2020	2019		
Staff costs	1,215.0	1,272.1	(57.1)	(4.5)
Premises and equipment expenses	562.8	565.0	(2.2)	(0.4)
General management and administrative expenses	449.1	443.3	5.8	1.3
Business tax and surcharge	92.6	76.1	16.5	21.7
Total	2,319.5	2,356.5	(37.0)	(1.6)
Cost-to-income ratio⁽¹⁾(%)	34.30	31.53	2.8	8.9

Note:

⁽¹⁾ Calculated by dividing total operating expenses (net of business tax and surcharge) by total operating income.

(A) Staff costs

The table below sets forth the components of staff costs for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			Percentage change (%)
	2020	2019	Increase or decrease	
Salaries and bonuses	899.9	905.7	(5.8)	(0.6)
Social insurance	168.2	219.0	(50.8)	(23.2)
Housing allowances	72.7	67.1	5.6	8.3
Staff welfares	52.0	49.9	2.1	4.2
Labour union and staff education expenses	16.4	22.5	(6.1)	(27.1)
Others	5.8	7.9	(2.1)	(26.6)
Total staff costs	1,215.0	1,272.1	(57.1)	(4.5)

Staff costs decreased by 4.5% from RMB1,272.1 million in 2019 to RMB1,215.0 million in 2020, the social insurance decreased by 23.2% yoy, primarily because of the reduction of the premium of basic pension insurance, unemployment insurance and work related injury insurance by the enterprise in stages pursuant to the Notice of the Phased Reduction of Social Insurance by Enterprise issued by the Ministry of Human Resources and Social Security, Ministry of Finance and State Taxation Administration (《人力資源社會保障部財政部稅務總局關於階段性減免企業社會保險費的通知》)(Renshebufa [2020] No. 11).

(B) Premises and equipment expenses

Premises and equipment expenses decreased by 0.4% from RMB565.0 million in 2019 to RMB562.8 million in 2020. The premises and equipment expenses basically remain unchanged.

(C) General management and administrative expenses

General management and administrative expenses primarily included business promotion fees, administrative fees, transportation fee and repair expenses. General management and administrative expenses increased by 1.3% from RMB443.3 million in 2019 to RMB449.1 million in 2020, mainly due to the impact of COVID-19, resulting in more expenses for pandemic prevention.

(D) Business tax and surcharges

The Bank pays taxes on interest income from loans, fee and commission income and securities trading gains. Business tax and surcharges of the Bank increased by 21.7% from RMB76.1 million in 2019 to RMB92.6 million in 2020, mainly reflecting the increase in taxes in line with the business growth.

(vii) *Impairment losses on credit/assets*

The table below sets forth the principal components of impairment losses on credit/assets for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Increase or decrease	Percentage change (%)
	2020	2019		
Loans and advances to customers	3,104.9	3,598.3	(493.4)	(13.7)
Investment assets	650.5	677.3	(26.8)	(4.0)
Other assets	(9.4)	71.5	(80.9)	(113.1)
Acceptance bills, letters of guarantees and unused credit card commitments	8.5	(35.1)	43.6	(124.2)
Total impairment losses on credit/assets	3,754.5	4,312.0	(557.5)	(12.9)

Impairment losses on credit/assets decreased by 12.9% from RMB4,312.0 million in 2019 to RMB3,754.5 million in 2020, mainly due to the decrease in the provision for credit impairment for loans and advances to customers and investment assets.

Credit impairment losses on loans and advances to customers decreased by 13.7% from RMB3,598.3 million in 2019 to RMB3,104.9 million in 2020, mainly due to the improvement of asset quality in 2020, resulting in a decrease in provision for credit impairment loss.

Credit impairment losses on investment assets decreased from RMB677.3 million of provision in 2019 to RMB650.5 million of provision in 2020, basically remained stable.

(viii) Income tax credit (expense)

Income tax expense in 2019 was RMB53.4 million while the income tax credit in 2020 was RMB141.8 million. The income tax expense was negative, mainly due to the increase in non-taxable income arising from treasury bonds and local bonds and the increase in written-off assets in 2020, forming a temporary difference of deductible loss, while recognizing the deferred income tax asset and deferred income tax expenses, resulting in the negative of income tax expense.

(b) Analysis of the Consolidated Statement of Financial Position

(i) Assets

As of December 31, 2020 and 2019, the total assets of the Bank were RMB342,363.8 million and RMB335,044.5 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks; (iv) cash and deposits with the central bank; and (v) financial assets held under resale agreements. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of
RMB, unless otherwise
stated)

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total (%)	Amount	% of total (%)
Assets				
Loans and advances to customers, gross	181,825.7	53.0	170,449.2	50.9
Provision for impairment losses	(5,438.9)	(1.6)	(5,682.4)	(1.7)
Net loans and advances to customers	176,386.8	51.4	164,766.8	49.2
Investment securities and other financial assets ⁽¹⁾	105,982.7	31.0	113,508.7	33.9
Deposits with banks	3,716.1	1.1	3,967.5	1.2
Cash and deposits with the central bank	26,666.7	7.8	25,274.3	7.5
Financial assets held under resale agreements	19,150.1	5.6	16,264.0	4.9
Other assets ⁽²⁾	10,461.4	3.1	11,263.2	3.3
Total assets	342,363.8	100.0	335,044.5	100.0

Notes:

- (1) Including financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortized cost.
- (2) Primarily consist of property and equipment, deposit paid for acquisitions of premises, deferred tax assets, interests receivable, interests in an associate and right-of-use assets.

(A) Loans and advances to customers

As of December 31, 2020, the total loans and advances to customers of the Bank were RMB181,825.7 million, representing an increase of 6.7% as compared to the end of last year. Total loans and advances to customers accounted for 53.0% of the total assets of the Bank, representing an increase of approximately 2.1 percentage points as compared to the end of last year.

The table below sets forth loans and advances to customers by product as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)

	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total (%)	Amount	% of total (%)
Corporate loans	110,853.4	61.0	111,292.0	65.3
Retail loans	41,359.8	22.7	34,265.5	20.1
Discounted bills	29,612.5	16.3	24,891.7	14.6
Total loans and advances to customers	181,825.7	100.0	170,449.2	100.0

Loans and advances to customers are the largest component of total assets. The Bank offers a variety of loan products, all of which are substantially denominated in Renminbi. Loans and advances to customers, net of provisions for impairment losses, represented 51.4% and 49.2% of total assets as of December 31, 2020 and 2019, respectively.

The Bank's corporate loans decreased by 0.4% from RMB111,292.0 million as of December 31, 2019 to RMB110,853.4 million as of December 31, 2020, the corporate loans basically remained stable.

The Bank's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Bank's retail loans increased by 20.7% from RMB34,265.5 million as of December 31, 2019 to RMB41,359.8 million as of December 31, 2020, primarily due to (1) the increased efforts of the Bank to develop the credit card overdraft business ; and (2) the adjustment of the Bank's loan portfolio to increase personal housing mortgage loans and consumption loans.

Loans and advances to customers by type of collateral

The table below sets forth loans and advances to customers by type of collateral as of the dates indicated. If a loan is secured by multiple forms of collateral, the classification is based on the primary form of collateral.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total (%)	Amount	% of total (%)
Collateralized loans	83,120.4	45.7	79,970.4	46.9
Pledged loans	14,706.2	8.1	11,696.2	6.9
Guaranteed loans	60,822.4	33.5	60,326.3	35.4
Unsecured loans	23,176.7	12.7	18,456.3	10.8
Total loans and advances to customers	181,825.7	100.0	170,449.2	100.0

As of December 31, 2019 and 2020, collateralized loans, pledged loans and guaranteed loans in the aggregate represented 89.2% and 87.3% of total loans and advances to customers, respectively. Collateralized loans and pledged loans are subject to loan-to-value ratio limits based on the type of collateral. We usually only accept guarantees provided by listed companies or guarantee companies. We evaluate a guarantee company based on its size, credit history and risk-resistance level, as well as the value and quality of any collateral provided by the borrower.

Unsecured loans increased by 25.6% from RMB18,456.3 million as of December 31, 2019 to RMB23,176.7 million as of December 31, 2020. The increase of unsecured loans was primarily due to the successive launching of certain online loan products with lower risk by utilizing big data resources and the enhancement on the development of the credit card overdraft business in 2020.

Change to the provisions for impairment losses on loans and advances to customers

The table below sets forth the change to the provisions for impairment losses on loans and advances to customers as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	2020	2019
As of January 1,	5,682.4	6,251.5
Charge for the year	3,104.9	3,598.3
Write-offs for the year and others	(3,463.1)	(4,204.2)
Reversal of write-offs of loans and advances for the previous years	114.7	36.8
As of December 31,	<u>5,438.9</u>	<u>5,682.4</u>

Provisions for impairment losses on loans decreased by 4.3% from RMB5,682.4 million as of December 31, 2019 to RMB5,438.9 million as of December 31, 2020, primarily due to provision for write-offs and other consumption loans exceeding provision for the loans for the period.

(B) Investment securities and other financial assets

As of December 31, 2020 and 2019, the Bank's investment securities and other financial assets (original value) were RMB107,339.9 million and RMB114,835.7 million, representing 31.4% and 34.3% of its total assets, respectively.

Investment securities and other financial assets primarily include debt securities, asset management plans issued by other financial institutions, trust plans, wealth management products and fund products and others.

Investment securities and other financial assets decreased by 6.5% from RMB114,835.7 million as of December 31, 2019 to RMB107,339.9 million as of December 31, 2020. This decrease was primarily due to the adjustment of the Bank's investment portfolio to reduce the investment assets based on the investment considerations, market conditions and other factors.

(ii) *Liabilities*

As of December 31, 2020 and 2019, the total liabilities were RMB310,899.0 million and RMB310,355.5 million, respectively. Major components of the liabilities include (i) deposits from customers; (ii) deposits from banks and other financial institutions; (iii) financial assets sold under repurchase agreements; (iv) debt securities issued; (v) borrowings from the central bank; (vi) placements from banks and other financial institutions; and (vii) other liabilities. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total (%)	Amount	% of total (%)
Deposits from customers	249,677.7	80.4	236,868.7	76.3
Deposits from banks and other financial institutions	11,625.7	3.7	13,621.9	4.4
Financial assets sold under repurchase agreements	8,730.1	2.8	5,398.6	1.7
Debt securities issued	23,551.5	7.6	39,459.2	12.7
Borrowings from the central bank	6,620.2	2.1	2,316.4	0.7
Placements from banks and other financial institutions	–	–	890.0	0.3
Other liabilities ⁽¹⁾	10,693.8	3.4	11,800.7	3.9
Total liabilities	310,899.0	100.0	310,355.5	100.0

Note:

- (1) Primarily include interest payables, taxes payable, accrued staff costs, lease liabilities and deferred tax liabilities.

(A) Deposits from customers

Deposits from customers are the largest component of total liabilities. As of December 31, 2019 and 2020, deposits from customers represented 76.3% and 80.4% of the total liabilities, respectively.

We offer RMB-denominated demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product and customer type as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total (%)	Amount	% of total (%)
Corporate deposits				
Demand deposits	60,133.9	24.1	52,256.8	22.1
Time deposits	22,260.6	8.9	19,771.7	8.3
Subtotal	82,394.5	33.0	72,028.5	30.4
Retail deposits				
Demand deposits	31,259.5	12.5	26,217.0	11.1
Time deposits	117,781.6	47.2	110,243.6	46.5
Subtotal	149,041.1	59.7	136,460.6	57.6
Pledged deposits	11,845.7	4.7	13,984.5	5.9
Others	6,396.4	2.6	14,395.1	6.1
Total deposits from customers	249,677.7	100.0	236,868.7	100.0

Total deposits from customers increased by 5.4% from RMB236,868.7 million as of December 31, 2019 to RMB249,677.7 million as of December 31, 2020. The increases in deposits from customers were primarily attributable to our enhanced marketing efforts to grow retail deposits and corporate deposits.

(B) Debts securities issued

In April 2017, the Bank issued financial bonds in an aggregate principal amount of RMB1,000.0 million. The bonds have a term of five years and bear an interest rate of 5.00% per annum. In May 2018, the Bank issued financial bonds in an aggregate principal amount of RMB1,500.0 million. The bonds have a term of three years and bear an interest rate of 4.87% per annum.

From January 1, 2020 to December 31, 2020, the Bank issued several tranches of zero-coupon interbank certificates in an aggregate face value of RMB31,910.0 million. These interbank certificates have terms of one month to one year and bear effective interest rates between 1.4% and 3.8% per annum.

(iii) Shareholders' equity

The table below sets forth the change in Shareholders' equity of the Bank for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total (%)	Amount	% of total (%)
Share capital	15,069.8	47.9	10,069.8	40.8
Capital reserve	5,955.5	18.9	4,660.4	18.9
Defined benefit scheme reserve	(2.8)	–	(3.4)	–
Investment revaluation reserve	137.2	0.4	219.5	0.9
Surplus reserve	1,616.0	5.2	1,560.8	6.3
General reserve	4,539.0	14.4	4,471.0	18.1
Retained earnings	4,113.9	13.1	3,678.9	14.9
Non-controlling interests	36.2	0.1	32.0	0.1
Total equity	31,464.8	100.0	24,689.0	100.0

(c) Asset quality analysis

(i) Breakdown of loans by the five-category classification

The Bank's non-performing loans are classified into substandard, doubtful and loss-making loans and advances to customers. As of December 31, 2020, the Bank's non-performing loans amounted to RMB4,144.6 million. The table below sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total (%)	Amount	% of total (%)
Normal	170,790.3	93.9	157,040.6	92.1
Special mention	6,890.8	3.8	9,226.5	5.4
Substandard	1,055.9	0.6	1,270.1	0.8
Doubtful	2,553.2	1.4	2,609.6	1.5
Loss	535.5	0.3	302.4	0.2
Total loans and advances to customers	181,825.7	100.0	170,449.2	100.0
Non-performing loans and non-performing loan ratio⁽¹⁾	4,144.6	2.28	4,182.1	2.45

Note:

- (1) Calculated by dividing non-performing loans by total loans and advances to customers.

As of December 31, 2020 and 2019, the non-performing loan ratios of the Bank were 2.28% and 2.45%, respectively, representing a decrease of 0.17 percentage point.

(ii) *Concentration of loans*

(A) Concentration by industry and distribution of non-performing loans

The table below sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020				As of December 31, 2019			
	Loan amount	% of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	% of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans								
Wholesale and retail	15,077.9	8.3	814.7	5.40	17,757.9	10.4	821.1	4.62
Manufacturing	21,603.0	11.9	636.7	2.95	21,036.0	12.3	759.2	3.61
Agriculture, forestry, animal husbandry and fishing	7,955.7	4.4	349.3	4.39	7,605.1	4.5	257.7	3.39
Construction	12,364.9	6.8	320.9	2.60	10,461.0	6.1	122.2	1.17
Real estate	13,176.7	7.2	45.0	0.34	14,860.1	8.7	0.0	0.00
Mining	5,186.1	2.9	13.1	0.25	7,279.4	4.3	358.9	4.93
Water, environment and public facility management	2,494.2	1.4	0.0	0.00	3,078.7	1.8	0.0	0.00
Culture, sports and entertainment	3,428.7	1.9	29.6	0.86	2,914.5	1.7	14.8	0.51
Leasing and business services	10,080.6	5.5	42.7	0.42	8,815.5	5.2	13.5	0.15
Electricity, heating power, gas and water production and supply	3,064.6	1.7	23.4	0.76	3,512.3	2.1	399.5	11.37
Transportation, storage and postal services	5,344.8	2.9	23.0	0.43	3,247.8	1.9	11.0	0.34
Education	1,585.9	0.9	0.0	0.00	1,591.8	0.9	0.0	0.00
Accommodation and catering	2,654.1	1.4	66.1	2.49	2,666.9	1.6	42.5	1.59
Financial	1,860.0	1.0	0.0	0.00	2,996.5	1.8	–	–
Health and social services	2,230.1	1.2	3.8	0.17	1,876.5	1.1	4.8	0.26
Residents and other services	1,215.3	0.7	1.1	0.09	555.1	0.3	1.1	0.20

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020				As of December 31, 2019			
	Loan amount	% of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	% of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
Scientific research, technical service and geological prospecting	1,315.6	0.7	20.0	1.52	913.1	0.5	–	–
Information transmission, computer service and software	118.5	0.1	9.7	8.18	103.8	0.1	3.0	2.89
Public administration, social security and social organizations	96.7	0.1	0.0	0.00	20.0	0.0	–	–
Retail loans	41,359.8	22.7	1,745.5	4.22	34,265.5	20.1	1,372.8	4.01
Discounted bills	29,612.5	16.3	0.0	0.00	24,891.7	14.6	–	–
Total amount	181,825.7	100.0	4,144.6	2.28	170,449.2	100.0	4,182.1	2.45

Note: Non-performing loan ratio of an industry is calculated by dividing the balance of non-performing loans of the industry by the balance of loans granted to the industry.

Loans to borrowers in the manufacturing, wholesale and retail, real estate, construction and leasing and business services industries represented the largest components of the Bank's corporate loan portfolio. Loans to these industries accounted for 65.5% and 65.2% of total corporate loans as of December 31, 2019 and 2020, respectively.

As of December 31, 2020, non-performing loans of the Bank's loans were mainly concentrated in the wholesale and retail industries; agriculture, forestry, animal husbandry and fishing; construction; and manufacturing.

(B) Borrower concentration

Indicators of concentration

Major regulatory indicators	Regulatory standard	As of December 31, 2020	As of December 31, 2019
Loan concentration ratio for the largest single customer (%)	≤ 10	9.23	10.3
Loan concentration ratio for the top ten customers (%)	≤ 50	46.31	46.2

Note: The data above are calculated in accordance with the formula promulgated by the CBIRC.

Loans to the 10 largest single borrowers

The following table sets forth the 10 largest single borrowers (excluding group borrowers) as reported to the PRC regulator as of December 31, 2020 and the balances of loans to these borrowers, all of which were classified as normal.

(Expressed in millions of RMB, unless otherwise stated)

		As of December 31, 2020		
Customers	Industries involved	Amount	% of total loans (%)	% of regulatory capital (%)
Borrower A	Manufacturing	3,000.0	1.65	9.23
Borrower B	Construction	2,174.0	1.20	6.69
Borrower C	Leasing and business services	1,722.8	0.95	5.30
Borrower D	Manufacturing	1,600.0	0.88	4.92
Borrower E	Financial	1,500.0	0.82	4.61
Borrower F	Real estate	1,086.0	0.60	3.34
Borrower G	Manufacturing	1,000.0	0.55	3.08
Borrower H	Transportation, storage and postal services	1,000.0	0.55	3.08
Borrower I	Transportation, storage and postal services	1,000.0	0.55	3.08
Borrower J	Manufacturing	970.0	0.53	2.98
Total		15,052.8	8.28	46.31

(C) Non-performing loans by product

The table below sets forth Bank's loans and non-performing loans by product type as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020			As of December 31, 2019		
	Loan amount	Non-performing loan amount	Non-performing loan ratio ⁽¹⁾ (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio ⁽¹⁾ (%)
Corporate loans						
Working capital loans	68,982.6	1,842.3	2.67	70,930.1	1,390.0	1.96
Fixed asset loans	41,330.0	45.0	0.11	39,192.4	284.7	0.73
Others ⁽²⁾	540.8	511.8	94.64	1,169.5	1,134.6	97.02
Sub-total	110,853.4	2,399.1	2.16	111,292.0	2,809.3	2.52
Retail loans						
Personal business loans	6,572.6	1,246.3	18.96	6,997.9	985.4	14.08
Personal consumption loans	13,877.0	234.9	1.69	10,196.9	196.4	1.93
Residential and commercial mortgage loans	20,910.2	264.3	1.26	17,070.7	191.0	1.12
Sub-total	41,359.8	1,745.5	4.22	34,265.5	1,372.8	4.01
Discounted bills	29,612.5	0.0	0.00	24,891.7	–	–
Total loans	181,825.7	4,144.6	2.28	170,449.2	4,182.1	2.45

Notes:

(1) Calculated by dividing non-performing loans by loans and advances to customers of each product category.

(2) Primarily consist of advances for bank acceptance bill.

The non-performing loan ratio of corporate loans decreased by 0.36 percentage point from 2.52% as of December 31, 2019 to 2.16% as of December 31, 2020.

The non-performing loan ratio of retail loans increased by 0.21 percentage point from 4.01% as of December 31, 2019 to 4.22% as of December 31, 2020.

(D) Loan aging schedule

The table below sets forth the loan aging schedule for loans and advances to customers as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total (%)	Amount	% of total (%)
Loans not overdue	<u>171,082.8</u>	<u>94.1</u>	<u>154,803.3</u>	<u>90.8</u>
Loans past due for:				
1 to 90 days	7,011.9	3.9	11,689.7	6.9
91 days to 1 year	1,607.7	0.9	3,068.4	1.8
1 to 3 years	1,897.0	1.0	720.9	0.4
3 years or more	<u>226.3</u>	<u>0.1</u>	<u>166.9</u>	<u>0.1</u>
Subtotal	<u>10,742.9</u>	<u>5.9</u>	<u>15,645.9</u>	<u>9.2</u>
Total loans and advances to customers	<u><u>181,825.7</u></u>	<u><u>100.0</u></u>	<u><u>170,449.2</u></u>	<u><u>100.0</u></u>

(d) Segments information

(i) Summary of business segment

We operate three principal lines of business: corporate banking, retail banking and financial market operations. The table below sets forth the operating income for each of our principal business segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2020		2019	
	Amount	% of total (%)	Amount	% of total (%)
Corporate banking	2,510.1	38.7	3,238.4	44.8
Retail banking	2,015.3	31.0	1,461.4	20.2
Financial market operations	2,242.6	34.5	2,438.1	33.7
Others ⁽¹⁾	(274.8)	(4.2)	95.4	1.3
Total operating income	6,493.2	100.0	7,233.3	100.0

Note:

- (1) Primarily represent assets, liabilities, income and expenses which cannot be directly attributable or cannot be allocated to a segment on a reasonable basis.

(ii) Summary of geographical segment information

No geographical information is presented as most of the Group's operations are conducted in Gansu Province of the PRC and all non-current assets are located in Gansu Province of the PRC and the revenue is derived from local activities there.

(e) Off-balance sheet commitments

Off-balance sheet commitments primarily consist of bank acceptances, letters of guarantee, operating lease commitments and capital commitments. The table below sets forth our contractual amounts of off-balance sheet commitments as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020	As of December 31, 2019
Credit commitments:		
Bank acceptances ⁽¹⁾	18,488.8	22,576.5
Letters of guarantee ⁽²⁾	1,686.5	1,510.5
Letters of credit	903.8	40.4
Unused credit card commitment	5,857.3	872.4
Subtotal	26,936.4	24,999.8
Capital commitments	30.2	16.0
Total	26,966.6	25,015.8

Notes:

- (1) Bank acceptances refer to our undertakings to pay bank bills drawn on our customers.
- (2) The Bank issues letters of credit and guarantee to third parties to guarantee our customers' contractual obligations.

Off-balance sheet commitments increased by 7.8% from RMB25,015.8 million as of December 31, 2019 to RMB26,966.6 million as of December 31, 2020. The increase in off-balance sheet commitments were primarily due to the enhancement of the promotion effort on credit card business of the Bank in 2020 and the unused limit of credit card has significantly increased.

(f) Miscellaneous

During the Reporting Period, the Bank launched the business related to the sub-loan (“**ADB Sub-loan**”) of Asian Development Bank (“**ADB**”). ADB Sub-loan refers to the RMB denominated loans extended by the Bank to the final borrowers who meet the requirements of the ADB and the Bank leveraging on the capital funded by the ADB to the Chinese government, which shall be used to satisfy the production and operation needs of such borrowers. The ADB Sub-loan consists of two parts, with one part directly

channeled from ADB funds and the other supported by the self-owned capital of the Bank. As of December 31, 2020, the Group has granted a total of RMB20.70 million ADB Sub-loan. Currently, it has applied for 4 reimbursement withdrawals totaling US\$3,144,800.

Business Review

(a) Corporate banking

The Bank offers corporate customers a broad range of financial products and services, including loans, discounted bills, deposits and fee and commission-based products and services. The Bank's corporate customers primarily include government agencies, public organizations, SOEs, private enterprises and foreign-invested enterprises. The Bank is committed to serving local customers with a focus on small and micro enterprises.

In addition, the Bank commits to seeking to develop long-term relationships with customers by closely monitoring their financial needs and by offering tailored financial solutions. As of December 31, 2020, the Bank had over 3,240 corporate borrowers with total loans of RMB110,853.4 million, and more than 77,098 corporate deposit customers with total deposits of RMB82,394.5 million. In 2019 and 2020, operating income from the Bank's corporate banking business accounted for 44.8% and 38.7% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		
	2020	2019	Percentage change (%)
Net external interest income ⁽¹⁾	4,887.9	4,977.2	(1.8)
Net inter-segment interest expenses ⁽²⁾	(2,588.6)	(1,874.0)	38.1
Net interest income	2,299.3	3,103.2	(25.9)
Net fees and commission income	210.7	135.2	55.8
Operating income	<u>2,510.0</u>	<u>3,238.4</u>	<u>(22.5)</u>
Operating expenses	(896.6)	(1,055.0)	(15.0)
Impairment losses on assets	(2,736.1)	(3,193.4)	(14.3)
Operating loss	<u>(1,122.7)</u>	<u>(1,010.0)</u>	<u>11.2</u>
Loss before tax	<u>(1,122.7)</u>	<u>(1,010.0)</u>	<u>11.2</u>

Notes:

- (1) Represents net income and expenses from third parties.
- (2) Represents inter-segment expenses and consideration of transfer.
- (3) Primarily includes government subsidies and income from short-term leases and disposal of fixed assets and repossessed assets.

(i) Corporate loans

Corporate loans constituted the largest component of the Bank's loan portfolio. As of December 31, 2020 and 2019, corporate loans amounted to RMB110,853.4 million and RMB111,292.0 million, accounting for 61.0% and 65.3% of the Bank's total loans and advances to customers, respectively.

(ii) Discounted bills

The Bank purchases bank and commercial acceptance bills with remaining maturities of up to one year at discounted prices to satisfy the short-term funding needs of banks and corporate customers. As of December 31, 2020 and 2019, discounted bills totaled RMB29,612.5 million and RMB24,891.7 million, accounting for 16.3% and 14.6% of the Bank's total loans and advances to customers, respectively.

(iii) Corporate deposits

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies (including USD, HKD and EUR) from corporate customers. As of December 31, 2020 and 2019, corporate deposits totaled RMB82,394.5 million and RMB72,028.5 million, accounting for 33.0% and 30.4% of the Bank's total customer deposits, respectively.

(iv) Fee and commission-based products and services

The Bank offers corporate customers a broad range of fee and commission-based products and services, primarily including wealth management services, entrusted loans, settlement services and consultation and financial advisory services.

(A) Wealth management services

The Bank offers corporate customers a broad range of wealth management products based on their risk and return preferences. The Bank invests funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products portfolio.

In 2020 and 2019, wealth management products sold to corporate customers totaled RMB212.9 million and RMB762.8 million, respectively.

(B) Entrusted loans

The Bank provides loans to borrowers designated by corporate customers, who determine the use of proceeds, principal amount and interest rates for these loans. The Bank monitors the use of entrusted loans by borrowers and assists corporate customers in recovering these loans.

The Bank charges agency fees based on the principal amount of entrusted loans. The Bank's corporate customers bear the risk of default associated with these loans. In 2020 and 2019, service fees charged to corporate customers for entrusted loans totaled RMB17.3 million and RMB26.1 million, respectively.

(C) Settlement services

The Bank offers corporate customers domestic and international settlement services.

Domestic Settlement Services. The Bank provides domestic settlement services in the form of Bank acceptance bills, collections and telegraphic transfers. In 2019 and 2020, the Bank's total domestic settlement transaction volumes were approximately RMB762.74 billion and RMB840.28 billion, respectively.

International Settlement Services. The Bank obtained approval to provide international settlement services in January 2014. The Bank's international settlement services primarily include remittance, collection, letters of credit and letters of guarantee.

In 2019 and 2020, the Bank's international settlement transaction volumes were US\$129 million and US\$103 million, respectively.

(D) Other fee and commission-based products and services

The Bank offers other fee and commission-based products and services to corporate customers, such as guarantee services, foreign exchange services and bond underwriting and distribution.

(b) *Retail banking*

The Bank offers retail customers a wide range of financial products and services, including loans, deposits, bank card services and fee and commission-based products and services. The Bank has a large retail customer base.

As of December 31, 2020, we had 158,720 retail borrowers with total loans of RMB41,359.8 million and over 6.129 million retail deposit customers with total deposits of RMB149,041.1 million. In 2020 and 2019, operating income from the Bank's retail banking business accounted for 31.0% and 20.2% of our total operating income, respectively.

The Bank categorizes retail banking customers into regular customers (with average financial asset balances of under RMB50,000), wealth management customers (with average financial asset balances of RMB50,000 or above but less than RMB200,000), wealthy customers (with average financial asset balances of RMB200,000 or above but less than RMB3.0 million) and private banking customers (with average financial asset balances of RMB3.0 million or above).

As of December 31, 2020, the Bank had over 226,500 wealthy customers and over 487 private banking customers. The Bank continues to grow our wealthy customer and private banking customer base by expanding its product and service portfolio. The table below sets forth the financial performance of its retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		
	2020	2019	Percentage change (%)
Net external interest expenses ⁽¹⁾	(2,798.7)	(2,568.0)	9.0
Net inter-segment interest income ⁽²⁾	4,763.5	3,963.1	20.2
Net interest income	1,964.8	1,395.1	40.8
Net fee and commission income	50.4	66.3	(24.0)
Operating income	2,015.2	1,461.4	37.9
Operating expenses	(719.9)	(476.1)	51.2
Impairment losses on assets	(389.2)	(404.8)	(3.9)
Operating profit	906.1	580.5	56.1
Profit before tax	906.1	580.5	56.1

Notes:

- (1) Represents net income and expenses from third parties.
- (2) Represents inter-segment expenses and consideration of transfer.
- (3) Primarily includes government subsidies and income from short-term leases and disposal of fixed assets and repossessed assets.

(i) Retail loans

The Bank offers retail customers personal business loans, personal consumption loans and personal residential and commercial mortgage loans. As of December 31, 2020 and 2019, total retail loans were RMB41,359.8 million and RMB34,265.5 million, accounting for 22.7% and 20.1% of the Bank's total loans and advances to customers, respectively.

(ii) Retail deposits

The Bank accepts demand and time deposits denominated in Renminbi and major foreign currencies from retail customers. As of December 31, 2020 and 2019, retail deposits totaled RMB149,041.1 million and RMB136,460.6 million, accounting for 59.7% and 57.6% of the Bank's total customer deposits, respectively.

(iii) Bank card services

(A) Debit cards

The Bank issues debit cards denominated in Renminbi to retail customers holding deposit accounts with it. Customers may use debit cards for a variety of purposes, such as cash deposits and withdrawals, transfers, payments, settlements, consumption, bill payments, financing and wealth management. The Bank provides cardholders with differentiated services by classifying debit cards into basic cards, gold cards, platinum cards and diamond cards based on a Bank cardholder's deposit balances.

To expand its customer base and service scope, the Bank issues the following debit cards in cooperation with government agencies and public organizations:

- Social Security Card (社會保障卡): The Bank works with the Department of Human Resources and Social Security of Gansu Province (甘肅省人力資源和社會保障廳) to issue social security cards, which can be used for making social security contributions and social security information inquiries.
- Housing Provident Fund Co-branded Cards (公積金聯名卡): The Bank works with the local housing provident fund management center to issue housing provident fund co-branded cards, which can be used for withdrawal and transfer of housing provident funds, loan distribution and account inquiries.
- Longyuan Transportation Cards (隴原交通卡): The Bank works with the Gansu Provincial Expressway Administration to issue IC financial cards, which can be used for paying expressway tolls electronically.

- Veteran Card (退役軍人保障卡): The IC financial cards issued by the Bank in partnership with Gansu Provincial Veterans Affairs Office, which targets veterans and soldiers' dependents in the province, providing exclusive financial management, savings products, exclusive guarantees, and exclusive VIP services for cardholders.

In addition, to enhance its brand recognition, the Bank cooperates with local governments to issue theme cards based on regional characteristics of Gansu Province, such as the Golden Tower Golden Poplar Card (金塔金胡楊卡), Xiongguan Card (雄關卡), the Journey of Xuanzang Card (玄奘之路卡) and Long Nan Landscape Card (隴南山水卡). The Bank also cooperates with various institutions in issuing co-branded cards, including the Gansu Police Vocational College Co-branded Card (甘肅警察職業學校聯名卡), Tianshui Reli Co-branded Card (天水熱力聯名卡) and Qingyang Labor Benefit Card (慶陽工惠卡).

As of December 31, 2020, the Bank had issued approximately 8.62 million debit cards. As of December 31, 2019 and 2020, holders of these debit cards conducted transactions of approximately RMB18,015.0 million and RMB57,813.3 million, respectively.

(B) Credit cards

On the basis of a thorough investigation of the market, the Bank integrated and upgraded the credit card system using leading financial technology and big data and officially issued credit cards with a certain credit limit to the public on November 11, 2019. Cardholders can spend up to the credit limit first and then make payment to the Bank, and are entitled to financial services such as consumer credit, cash deposit and withdrawal and settlement by transfer of account. Credit cards issued by the Bank are classified into general cards, gold cards, platinum cards and diamond cards according to different credit ratings.

As of December 31, 2020, the Bank had issued 324,416 credit cards, including 305,528 credit cards and 18,888 business cards. The revolving credit card line was RMB7,294 million, of which RMB6,870 million and RMB424 million were granted to credit cards and business cards, respectively. Balance of overdraft recorded was RMB1,579.0073 million, of which RMB1,545.7234 million and RMB33.2839 million were made by holders of credit cards and business cards, respectively. Overdraft accounts reached 136,076, including 133,632 credit card accounts and 2,444 business card accounts. The total credit card income amounted

to RMB64.2267 million, of which RMB45.9161 million was recorded by intermediary business, and RMB18.3106 million was included in interest income.

(C) POS settlement services

As a payment settlement service provider, the Bank provides selected merchants with transaction fund settlement services. As of December 31, 2020, the Bank had 86,000 selected merchant customers for POS settlement services and the total settlement amount was approximately RMB25,948 million.

(iv) Fee and commission-based products and services

The Bank offers retail customers a wide range of fee and commission-based products and services, primarily including wealth management services, agency services and payroll and payment agency services.

(A) Wealth management services

The Bank offers retail customers wealth management products under its Huifu (匯 福) series based on their risk and return preferences. The Bank invests funds from these wealth management products primarily in bonds, interbank deposits, money market instruments and other fixed income products. In 2020 and 2019, wealth management products sold to retail customers totaled RMB44,400.07 million and RMB39,546.09 million, respectively. As of December 31, 2020, the Bank had over 235,604 retail wealth management clients and the return rate of its retail wealth management products was between 4.08% and 4.33% in 2020.

(B) Agency services

The Bank sells insurance and precious metal products to retail customers as an agent.

Insurance Products: As of December 31, 2020, the Bank had entered into agency agreements with 6 nationwide insurance companies to promote and distribute their insurance products.

Precious Metal Products: the Bank received approval to distribute precious metals in China in August 2015. In 2020 and 2019, the Bank sold an aggregate of RMB71.19 million and RMB105 million of precious metal products, respectively.

In October 2017, Dunhuang Research Academy granted the Bank an exclusive license to jointly develop and sell precious metal products featuring Mogao Grottoes. In addition, the Bank has completed the development of a fund agent system and fund qualification training for its employees.

(C) Payroll and payment agency services

Payroll Services: the Bank provides payroll services to governmental agencies, public organizations and enterprises customers. As of December 31, 2020, the Bank had over 3,359,267 payroll customers. In 2019 and 2020, the Bank paid, in the role of paying agent, average monthly salaries of approximately RMB3,128.19 million and RMB2,516.78 million, respectively.

Payment Agency Services: the Bank offers customers payment agency services related to daily living expenses (such as utilities costs) through its broad distribution network.

(D) Other fee and commission-based products and services

The Bank offers other fee and commission-based products and services to retail customers, such as fund transfer, remittance and acceptance services.

(c) Financial market operations

The Bank's financial market operations, primarily including money market transactions, investment business and investment in interbank wealth management products, are one of its most important revenue sources. In 2020 and 2019, operating income from financial market operations accounted for 34.5% and 33.7% of its total operating income, respectively. The table below sets forth the financial performance of the Bank's treasury operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		
	2020	2019	Percentage change (%)
Net external interest income ⁽¹⁾	3,661.2	2,878.7	27.2
Net inter-segment interest expenses ⁽²⁾	(2,175.0)	(2,089.1)	4.1
Net interest income	1,486.2	789.6	88.2
Net fee and commission income	41.5	27.6	50.4
Net trading gains	716.3	1,489.8	(51.9)
Net (expenses) income arising from investment securities	(1.4)	131.2	(101.1)
Operating income	<u>2,242.6</u>	<u>2,438.2</u>	<u>(8.0)</u>
Operating expenses	(801.1)	(794.3)	0.9
Impairment losses on assets	(630.2)	(677.3)	(7.0)
Operating profit	<u>811.3</u>	<u>966.6</u>	<u>(16.1)</u>
Profit before tax	<u>811.3</u>	<u>966.6</u>	<u>(16.1)</u>

Notes:

- (1) Represents net income and expenses from third parties.
- (2) Represents inter-segment expenses and consideration of transfer.
- (3) Primarily includes government subsidies and income from short-term leases and disposal of fixed assets and repossessed assets.

(i) Money market transactions

The Bank adjusts its liquidity using various monetary market instruments and earns interest income from money market transactions. Money market transactions primarily include (i) interbank deposits; (ii) placements with banks and other financial institutions; and (iii) repurchase and reverse repurchase transactions.

(A) Interbank deposits

The Bank deposits funds with and withdraws funds from banks and other financial institutions to manage our assets and liabilities. The Bank accepts deposits from banks and other financial institutions and deposit money in banks and other financial institutions, and also engages in other interbank transactions with certain of these banks and financial institutions.

As of December 31, 2020 and 2019, deposits from banks and other financial institutions totaled RMB11,625.7 million and RMB13,621.9 million, and deposits of the Bank at banks and other financial institutions (original value without deducting provisions for impairment) totaled RMB3,716.1 million and RMB3,967.5 million, respectively.

(B) Interbank placements

The balance of our placements with banks and other financial institutions as of December 31, 2020 and 2019 were both nil. As of the same dates, placements from banks and other financial institutions totaled RMB0.0 million and RMB890.0 million, respectively.

(C) Repurchase and reverse repurchase transactions

The securities underlying the Bank's repurchase and reverse repurchase transactions are mainly RMB-denominated PRC government bonds and policy financial bonds. As of December 31, 2020 and 2019, financial assets held under resale agreements totaled RMB19,150.1 million and RMB16,264.0 million, and financial assets sold under repurchase agreements totaled RMB8,730.1 million and RMB5,398.6 million, respectively.

(ii) *Investment securities and other financial assets*

Investment securities and other financial assets primarily include debt securities and asset management plans, trust plans, wealth management products and fund products issued by other financial institutions.

(A) Security investment by holding purpose

The table below sets forth investment securities and other financial assets by investment intention as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total (%)	Amount	% of total (%)
Financial assets at fair value through profit or loss	25,837.5	24.4	36,729.9	32.4
Financial assets at fair value through other comprehensive income	10,891.5	10.3	14,766.3	13.0
Financial assets at amortized costs	68,932.1	65.0	61,697.4	54.4
Other equity instrument investments	321.6	0.3	315.1	0.2
Total amount of investment securities and other financial assets	105,982.7	100.00	113,508.7	100.0

Total amount of investment securities and other financial assets decreased by 6.6% from RMB113,508.7 million as of December 31, 2019 to RMB105,982.7 million as of December 31, 2020.

(B) Maturity profile of the Bank's investment portfolio

The table below sets forth investment securities and other financial assets by remaining maturity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total (%)	Amount	% of total (%)
Repayable on demand	20,065.4	18.9	760.0	0.7
Due in three months or less	8,187.1	7.7	21,546.8	19.0
Due between three months and one year	23,288.7	22.0	18,554.8	16.3
Due between one year and five years	38,121.3	36.0	60,192.3	53.0
Due over five years	13,529.7	12.8	7,808.3	6.9
Indefinite ⁽¹⁾	2,790.5	2.6	4,646.5	4.1
Total	105,982.7	100.0	113,508.7	100.0

Note:

- (1) Refers to impaired investments, and investments and equity investments overdue for more than one month.

The Bank's securities investments with a remaining maturity between one year and five years represent the largest portion of the Bank's investment securities.

(C) Holding of government bonds

As of December 31, 2020, the balance of face value of government bonds held by the Bank amounted to RMB26,228.37 million. The table below sets forth the top 10 government bonds with the highest face value held by the Bank as of December 31, 2020.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
19 Interest-bearing treasury bond 09 (19 附 息 國 債 09)	3,900.00	2.74	July 11, 2021
19 Interest-bearing treasury bond 03 (19 附 息 國 債 03)	2,070.00	2.69	March 7, 2022
20 Gansu bond 16 (20 甘 肅 債 16)	1,420.00	3.57	May 29, 2040
20 Interest-bearing treasury bond 10 (20 附 息 國 債 10)	1,120.00	2.15	July 16, 2021
18 Gansu bond 01 (18 甘 肅 債 01)	1,040.00	3.39	April 24, 2023
19 Interest-bearing treasury bond 11 (19 附 息 國 債 11)	1,020.00	2.75	August 8, 2022
20 Gansu bond 14 (20 甘 肅 債 14)	850.00	3.57	May 29, 2040
19 Interest-bearing treasury bond 04 (19 附 息 國 債 04)	750.00	3.19	April 11, 2024
18 Gansu 02 (18 甘 肅 02)	700.00	3.79	June 15, 2023
16 Gansu Targeted 02 (16 甘 肅 定 向 02)	677.60	3.26	April 21, 2023

(D) Holding of financial bonds

As of December 31, 2020, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, commercial banks and other financial institutions) held by the Bank amounted to RMB22,932.21 million. The table below sets forth the top 10 financial bonds with the highest face value held by the Bank as of December 31, 2020.

Name of the bond	Face value (in millions of RMB)	Interest rate per annum (%)	Maturity date
18 ADBC bond 01 (18農發01)	1,110.00	4.98	January 12, 2025
18 ADBC bond 08 (18農發08)	1,080.00	4.37	May 25, 2023
19 EIBC bond 05 (19進出05)	1,000.00	3.28	February 11, 2024
15 CDB bond 16 (15國開16)	750.00	3.94	July 10, 2022
18 CDB bond 08 (18國開08)	700.00	4.07	April 27, 2021
18 ADBC bond 09 (18農發09)	700.00	4.24	June 1, 2021
16 ADBC bond 21 (16農發21)	570.00	2.96	July 27, 2021
20 CDB bond 06 (20國開06)	570.00	1.11	April 17, 2021
16 EIBC bond 02 (16進出02)	550.00	3.07	February 22, 2021
19 CDB bond 15 (19國開15)	550.00	3.45	September 20, 2029

(d) *Distribution network*

(i) *Physical outlets*

As of December 31, 2020, the Bank had 1 head office operational department, 12 branches, 188 sub-branches, 6 micro-to-small sub-branches and 3 community sub-branches. The Bank branch network covered all of Gansu's cities and prefectures and approximately 95% of its counties and districts.

(ii) *Electronic banking business*

(A) Internet banking

Through the Internet, the Bank offers customers account management, information inquiry, remittance and transfer, payment, investment and wealth management and other financial services. As of December 31, 2020, the Bank had over 3,321,300 Internet banking customers, consisting of 44,500 corporate customers and over 3,276,800 retail customers. As of December 31, 2020, the Bank's corporate customers conducted over 3.14

million online transactions with a total transaction amount of approximately RMB551,845 million, while retail customers conducted approximately 11.98 million online transactions with a total transaction amount of approximately RMB168,660 million.

(B) Direct banking platform

The Bank launched its direct banking platform in August 2016. Through the platform, our customers can achieve electronic account management, smart saving, investment and financing, and purchases of financial products and services. As of December 31, 2020, the Bank's direct banking platform had over 1,072,500 registered users with total transaction amounts of RMB12,136 million. The sales of direct banking platform products exceeded RMB3,977 million.

(C) Mobile phone banking

The Bank provides customers with various financial services, such as account inquiries and management, transfers, payments and loan management. As of December 31, 2020, the Bank had approximately 2,673,700 mobile phone banking customers that had conducted approximately 11.15 million transactions through mobile phones, with total transaction amounts of approximately RMB138,180 million.

(D) Telephone banking

The Bank provides customers with loan and deposit account inquiries, personal debit card account transfers, bill inquiries, lost declarations and business inquiry services through an interactive self-service voice system and live customer service. As of December 31, 2020, the Bank had 458,621 registered telephone banking customers, which were all individual customers.

(E) Self-service banking

The Bank provides convenient banking services to customers at lower operating costs through self-service facilities. The Bank's self-service banking services include balance inquiries, cash withdrawals and deposits, transfers and public utilities payments. As of December 31, 2020, the Bank had 200 outlets, 122 off-bank self-service zones, 747 self-service facilities and 349 intelligent counters.

(F) WeChat banking

WeChat has become an important channel that provides value-added services to retail customers. Through WeChat banking, customers can access the Bank's products and services; accounts management, transaction inquiries, payment and convenience services; and the Bank's outlet locations inquiry service. As of December 31, 2020, the Bank had over 826,600 WeChat banking customers.

(G) E-commerce platform

In June 2017, the Bank formally launched its e-commerce platform "Longyin Commerce", which provides merchants with comprehensive services. These services include purchasing, sales and inventory management, and online B2B and B2C transactions. As of December 31, 2020, the platform had 969 merchants and 443,800 users, with total transaction amounts of approximately RMB10.14 million.

(e) Information on the subsidiary

Jingning Chengji Rural Bank

In September 2008, Pingliang City Commercial Bank established Jingning Chengji Rural Bank with 4 other legal entities and 7 individuals. As of December 31, 2020, the Bank held an approximately 62.73% equity interest in Jingning Chengji Rural Bank. Jingning Chengji Rural Bank, a joint stock company with limited liability incorporated in the PRC, carries out its business in the PRC, primarily engaging in offering financial products and services, including loans, deposits and fee and commission-based products and services to local corporate and retail customers.

As of December 31, 2020, Jingning Chengji Rural Bank had 35 corporate loan customers, 801 corporate deposit customers, 5,096 retail loan customers and 88,075 retail deposit customers. As of December 31, 2020, Jingning Chengji Rural Bank had 12 outlets and 116 employees.

As of December 31, 2020, Jingning Chengji Rural Bank had total assets of RMB1,544.9 million, total deposits of RMB935.7 million and total loans of RMB1,361.1 million. In 2019 and 2020, operating income attributable to Jingning Chengji Rural Bank totaled RMB41.2 million and RMB43.9 million, accounting for 0.57% and 0.68% of the Bank's total operating income, respectively.

The Bank assists Jingning Chengji Rural Bank by providing strategic guidance and employee training. The Bank also dispatches professional staff to improve employees' business skills, and share experience to innovate products and services to diversify its business.

(f) Operation and safety of IT systems

The Bank regularly optimizes and upgrades its IT system to support the operation and management of its businesses. For 2019 and 2020, the Bank's investments in its IT system totaled approximately RMB301.3 million and RMB209.5 million, respectively.

The Bank fully launched digital transformation in early 2020 and formulated a digital transformation plan for the whole Bank, for the purpose of "serving the grassroots, driving the business, strengthening the management as well as preventing and controlling risks". The Bank kept pace with the digital era, and facilitated the transformation and development of the Bank's business operations. In terms of implementation, 13 key projects have been implemented in accordance with the principle of "order of priority, overall planning and step-by-step implementation". Through "implementing a set of mechanisms, creating three platforms, enhancing five applications, consolidating six markets and building ten themes", the Bank supported the rapid integration and innovation of financial technology and financial business application scenarios and promoted the Bank's digital transformation.

The Bank launched the data governance project at the beginning of 2020. Through the implementation of the data governance project, a complete long-term mechanism of data governance has been formed to strengthen the awareness of internal data usage, establish a good data culture, and integrate data governance into the whole process of operation management, business development and risk management; through standard formulation, implementation, quality inspection and problem tracking and solving, a virtuous cycle regarding the operation of data has been formed to ensure unified management and efficient operation of data, and give full play to its value in operation management.

In November 2020, the Bank completed the project of smart marketing service platform and put it into operation, transforming the traditional marketing mode and strategy, in reliance on the presence of offline smart outlets and online activities, in combination with the precise marketing activities of the marketing platform to achieve the effects of user attraction, promotion and conversion, providing customers with appropriate financial services, deepening co-operation and enhancing customer value, so as to finally realize online and offline multi-channel collaborative marketing, and promote the digital and intelligent transformation of retail marketing.

At the beginning of November 2020, the Bank's new off-site disaster recovery center located in Jiuquan, Gansu Province was officially put into operation. The disaster recovery level of the new off-site disaster recovery center has been considerably enhanced as compared to that of the original disaster recovery center. Seven key transaction systems such as the core, ESB and counter are deployed at the application level, and the other 18 systems are data-level disaster recovery systems. This structure can ensure that the Bank avoids large-scale business interruption caused by catastrophic events in the cities or regions where the production center and the disaster recovery center are located. During the reconstruction of the production center, the off-site disaster recovery center can provide the most basic business of deposits and withdrawals.

The Bank has also implemented safeguards to maintain the confidentiality, integrity and availability of information. These safeguards include firewalls, anti-virus measures, data encryption, user authentication and authorization, desk site security, intrusion prevention and detection, filing and evaluation of the classified protection of important information systems, key information infrastructure protection and information system security assessment. During the Reporting Period, the Bank did not suffer any material IT system failures.

Risk Management

(a) Risk management of the Bank

The Bank is primarily exposed to credit risk, market risk, operational risk and liquidity risk in its business. It is also exposed to other risks such as reputational risk, information technology risk, money-laundering risk and legal and compliance risk.

Since its inception, the Bank has implemented comprehensive risk management strategies to enhance its risk management systems.

(i) Credit risk management

Credit risk is the risk of loss due to (i) failure by a debtor or counterparty to meet its contractual obligations or (ii) a decrease in credit ratings or repayment ability. The Bank's credit risks arise mainly from loans, investments, guarantees, commitments and other on- or off-balance-sheet credit risks exposures.

The Bank determines the direction and amount of credit extended each year based on national and regional economic development plans, market conditions and macroeconomic control measures. It also

considers our asset and liability structure and trends in deposit and loan growth. It formulates annual credit policy guidelines to provide detailed guidance for extending credit to different industries, customer types and geographic regions.

In accordance with relevant guidelines, extension of credit in areas more susceptible to changes in macroeconomic conditions and regulatory policies (such as local government financing platforms, as well as borrowers in the real estate sector or industries involving high-pollution, high-power consumption and over-capacity) must comply with all regulatory requirements. It also encourages the extension of credit to emerging technology sectors, such as internet, big data and artificial intelligence , in accordance with national policy directives. In addition, it may issue notices of adjustments to credit policy guidelines in a timely manner in response to changes in government policies, the economic environment and risk preferences of the Bank.

The Bank categorizes the industries in which a loan applicant operates into the following four categories and adopts a different credit policy for each industry category.

Industries	Credit Policies
Pharmaceutical manufacturing, health industry, education, advanced manufacturing industry, expressway, environmental treatment industry, power generation and supply, information technology, internet-related fields, etc. (“ aggressive growth ” industries)	<ul style="list-style-type: none"> • prioritize credit allocation and increase credit exposure to borrowers in these industries.
Modern logistics, modern agriculture, catering industry, retail industry, general equipment manufacturing industry, accommodation industry, food & beverage and culture and art industry (“ selective growth ” industries)	<ul style="list-style-type: none"> • selectively distribute credit to borrowers in these industries.

Real estate, construction, textile industry, automobile manufacturing industry, mining and wholesale industries (“ presence sustaining ” industries)	<ul style="list-style-type: none"> • focus on preventing risks by granting loans to high-quality customers and adjusting the proportion of loans to borrowers in these industries.
Coking, flat glass, iron alloy smelting, calcium carbide, electrolytic aluminum, solar power generation and high pollution, high energy-consumption and over-capacity industries (“ shrinking and exit ” industries)	<ul style="list-style-type: none"> • strictly prohibit new credit extension and gradually compress existing businesses.

The Bank has also adopted detailed credit policies for small and micro enterprise loans and retail loans based on the type of product, customer group and investment field. It generally updates these policies on an annual basis.

(ii) Market risk management

Market risk is the risk of loss in on-balance sheet and off-balance sheet arising from fluctuations in market prices. The Bank is exposed to market risks primarily through its banking book and trading book.

(A) Interest rate risk management

Interest rate risk is the exposure of the Bank’s financial condition to adverse movements in interest rates. Its primary source of interest rate risk is the repricing of on- and off-balance sheet assets and liabilities due to mismatches in maturities.

Maturity or repricing date mismatches may cause changes in net interest income due to fluctuations in prevailing interest rates. The Bank is exposed to interest rate risk through its day-to-day lending and deposit-taking activities and its financial market operations.

The Bank places great emphasis on analyzing the general economic situation and policies, particularly the changes in currency policies. The Bank conducts analysis and studies on interest rate trends in financial markets, and based on the results and forecast of which it formulates and adjusts interest rates, in order to better control interest rate risks and reduce losses arising from interest rate fluctuations.

The Bank manages the interest rate risk exposure of its RMB-denominated assets and liabilities on its balance sheet primarily by adjusting interest rates and optimizing the maturity profile of its assets and liabilities. The Bank seeks to reduce maturity mismatches by adjusting repricing frequency and establishing a pricing structure for corporate deposits.

The Bank uses various measures to evaluate interest rate risks arising from its banking book, including but not limited to techniques and measures such as duration analysis, sensitivity analysis, scenario analysis and stress tests, to measure its interest rate risk. For example, it regularly conducts sensitivity analysis and duration analysis on its bond business under different circumstances, to measure the potential effects on its profitability. Under unfavorable external conditions, it will also conduct special stress tests analyses on the interest rate benchmark on loans and deposits. Based on such analyses, it may adjust its terms on repricing to control interest rate risk.

The table below sets forth the results of the Bank's gap analysis based on the earlier of (i) the expected next repricing dates; and (ii) the final maturity dates for its assets and liabilities as of December 31, 2020.

(Expressed in millions of RMB, unless otherwise stated)	Total	As of December 31, 2020				
		Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	26,666.7	600.9	26,065.8	-	-	-
Deposits with banks	3,716.1	-	3,648.0	68.1	-	-
Financial assets held under resale agreement	19,150.1	-	19,150.1	-	-	-
Interest receivable	4,152.0	4,152.0	-	-	-	-
Loans and advances to customers	176,386.8	4,824.1	50,309.4	66,543.8	43,633.7	11,075.8
Investments	105,982.7	2,790.5	18,326.0	23,288.7	48,047.7	13,529.8
Others ⁽¹⁾	6,309.4	6,309.4	-	-	-	-
Total assets	342,363.8	18,676.9	117,499.3	89,900.6	91,681.4	24,605.6

(Expressed in millions of RMB, unless otherwise stated)	Total	As of December 31, 2020				
		Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Liabilities						
Borrowings from the central bank	6,620.2	–	2,517.3	4,102.9	–	–
Deposits from banks and other financial institutions	11,625.7	55.8	1,974.9	9,595.0	–	–
Financial assets sold under repurchase agreements	8,730.1	–	8,730.1	–	–	–
Deposits from customers	249,677.7	–	121,398.5	33,593.8	94,685.4	–
Interest payable	7,629.7	7,629.7	–	–	–	–
Debt securities issued	23,551.5	–	13,949.3	8,102.7	1,499.5	–
Others ⁽²⁾	3,064.1	2,781.3	–	113.2	166.5	3.1
Total liabilities	310,899.0	10,466.8	148,570.1	55,507.6	96,351.4	3.1
Asset-liability gap	31,464.8	8,210.1	(31,070.8)	34,393.0	(4,670.0)	24,602.5

(Expressed in millions of RMB, unless otherwise stated)	Total	As of December 31, 2019				
		Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Assets						
Cash and deposits with the central bank	25,274.3	405.8	24,868.5	–	–	–
Deposits with banks	3,967.5	–	3,967.5	–	–	–
Financial assets held under resale agreement	16,264.0	–	16,264.0	–	–	–
Interest receivable	2,202.1	2,202.1	–	–	–	–
Loans and advances to customers	164,766.8	8,669.9	64,506.7	56,228.7	29,158.3	6,203.2
Investments	113,508.7	315.1	26,953.4	18,554.8	60,192.3	7,493.1
Others ⁽¹⁾	9,061.1	9,061.1	–	–	–	–
Total assets	335,044.5	20,654.0	136,560.1	74,783.5	89,350.6	13,696.3

(Expressed in millions of RMB, unless otherwise stated)	Total	As of December 31, 2019				
		Non-interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
Liabilities						
Borrowings from the central bank	2,316.4	–	1,903.0	413.4	–	–
Deposits from banks and other financial institutions	13,621.9	54.4	7,177.5	6,390.0	–	–
Placements from banks and other financial institutions	890.0	–	580.0	310.0	–	–
Financial assets sold under repurchase agreements	5,398.6	–	5,398.6	–	–	–
Deposits from customers	236,868.6	–	92,738.9	24,280.8	119,848.9	–
Interest payable	8,761.5	8,761.5	–	–	–	–
Debt securities issued	39,459.2	–	10,030.3	23,732.9	999.5	4,696.5
Others ⁽²⁾	3,039.3	2,755.4	–	101.4	180.4	2.1
Total liabilities	310,355.5	11,571.3	117,828.3	55,228.5	121,028.8	4,698.6
Asset-liability gap	24,689.0	9,082.7	18,731.8	19,555.0	(31,678.2)	8,997.7

Notes:

- (1) Primarily include property and equipment, goodwill and deferred tax assets.
- (2) Primarily include accrued staff costs and taxes payable.

The Bank uses sensitivity analysis to measure the impact of changes in interest rates on our net profit or loss and equity. The table below sets forth the results of the Bank's interest rates sensitivity analysis based on its assets and liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31,			
	2020	2019	2019	2019
	Change in net profit	Changes in equity	Change in net profit	Changes in equity
Increase by 100 basis points	143.9	(617.9)	60.4	(675.9)
Decrease by 100 basis points	(143.9)	617.9	(60.4)	675.9

The sensitivity analysis above is based on a static interest rate risk profile of the assets and liabilities. This analysis measures only the impact of changes in interest rates within one year, showing how annualized net profit or loss and equity would have been affected by the repricing of assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements at the end of each Track Record Period apply to the Bank's non-derivative financial instruments;
- At the end of each Track Record Period, an interest rate movement of 100 basis points is based on the assumption of interest rate movements over the next 12 months;
- There is a parallel shift in the yield curve with the changes in interest rates;
- There are no other changes to the assets and liabilities portfolio;
- Other variables (including exchange rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the management.

Due to the adoption of the aforementioned assumptions, the actual changes in the net profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.

(B) Exchange rate risk management

The Bank is exposed to exchange rate risks primarily due to mismatches in the currency denominations of on- and off-balance sheet assets and liabilities and in the trading positions of foreign exchange transactions. It manages exchange rate risks by matching the sources and uses of funds.

The Bank seeks to keep the adverse impact of exchange rate fluctuations within an acceptable range by managing risk exposure limits and the currency structure of its assets and liabilities. In addition, it endeavors to reduce the number of transactions involving high exchange rate risks, monitor major indicators, and inspect the positions of major foreign currencies on a daily basis.

(iii) Operational risk management

Operational risk refers to the risk of loss caused by incomplete internal control procedures, failures of employees and IT systems or external events. Operational risk events include internal and external fraud, safety accidents in the workplace, damage to tangible assets, risk or implementation, settlement and procedure management failure relating to customers, products and operations, as well as errors or malfunctions in IT systems.

The Board of Directors is ultimately responsible for monitoring the effectiveness of the Bank's operational risk management. It determines the Bank's operational risk appetite based on its overall business strategies, and reviews and oversees the implementation of operational risk management strategies and policies.

The senior management of the Bank is responsible for coordinating operational risk management through its risk management and internal control committee.

The risk management department of the Bank formulates operational risk management procedures for identifying, evaluating, monitoring and controlling operational risks under the supervision of the Board and senior management. The audit department supervises and evaluates the management of operational risks and is responsible for independently examining and evaluating the appropriateness, effectiveness and efficiency of operational risk management policies, systems and procedures.

The Bank has established a GRC system for managing internal control and operational risks. Through the system, it utilizes operational risk management tools to identify, measure and monitor operational risks.

(iv) Liquidity risk

(A) Liquidity risk management

Liquidity risk refers to the risk of failing to acquire sufficient funds at a reasonable cost and in a timely manner to pay the debts when due, fulfill other payment obligations and meet other funding requirements for normal business operations. Factors affecting our liquidity of the Bank include the term structure of its assets and liabilities and changes to financial industry policies, such as changes in the requirements relating to its statutory required reserve ratio. The Bank is exposed to liquidity risks primarily in its lending, trading and investment activities, as well as in the management of its cash flow positions.

The organizational framework of our liquidity risk management of the Bank focuses on formulating, implementing and supervising the separation of duties in relation to liquidity risk management policies and procedures. As the ultimate decision-making body for the liquidity risk management, the Board of Directors assumes ultimate responsibility for the liquidity risk management of the Bank.

Senior management is responsible for liquidity management, and the assets and liabilities management committee is responsible for implementing liquidity management policies and procedures. The supervisory committee is responsible for supervising and evaluating the implementation of liquidity risk management by the Board of Directors and senior management. The financial planning department is responsible for the daily liquidity risk management of the Bank.

The objective of the liquidity risk management of the Bank is, by establishing timely, reasonable and effective liquidity risk management mechanisms, to identify, measure, monitor and control liquidity risks, meet the liquidity needs of its assets, liabilities and off-balance businesses on a timely basis, and control liquidity risks at an acceptable level to maintain sustained and healthy operations.

According to the Measures for the Management of Liquidity Risks of Commercial Banks (effective as from July 1, 2018) issued by the CBIRC, the Bank continually improves liquidity risk management, strictly implement regulatory rules, closely monitors liquidity indicators, enhances maturity management of its cash flows, formulates emergency plans, and enhances liquidity risk management and stress tests.

The Bank manages liquidity risks with instruments such as position reporting and monitoring, cash flow analysis, liquidity stress tests, liquidity risk limits and liquidity risk indicators.

(B) Liquidity risk analysis

The Bank funds its loan and investment portfolios principally through customer deposits. Deposits from customers have been, and the Bank believes will continue to be, a stable source of funding. Customer deposits with remaining maturities of less than one year represented 62.1% and 49.4% deposits from customers as of December 31, 2020 and 2019, respectively.

The table below sets forth the remaining maturity of the Bank's assets and liabilities as of December 31, 2020 and 2019.

As of December 31, 2020							
(Expressed in millions of RMB, unless otherwise stated)	Indefinite	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets							
Cash and deposits with the central bank	20,986.1	5,680.6	-	-	-	-	26,666.7
Deposits with banks	-	3,648.0	-	68.1	-	-	3,716.1
Financial assets held under resale agreements	-	-	19,150.1	-	-	-	19,150.1
Financial assets at fair value through profit or loss	2,468.9	-	2,111.2	1,160.8	19,262.7	833.9	25,837.5
Interest receivable	-	632.7	1,661.2	1,581.8	250.6	25.7	4,152.0
Loans and advances to customers	3,783.6	1,040.5	24,474.2	69,452.7	47,725.0	29,910.8	176,386.8
Financial assets at fair value through other comprehensive income	-	-	360.1	2,274.4	6,624.2	1,954.4	11,213.1
Financial assets at amortised costs	2,687.4	7,451.5	5,715.8	19,853.5	22,160.9	11,063.0	68,932.1
Others ⁽¹⁾	5,668.4	-	-	-	641.0	-	6,309.4
Total assets	35,594.4	18,453.3	53,472.6	94,391.3	96,664.4	43,787.8	342,363.8
Liabilities							
Borrowings from the central bank	-	-	2,517.3	4,102.9	-	-	6,620.2
Deposits from banks and other financial institutions	-	950.7	1,080.0	9,595.0	-	-	11,625.7
Financial assets sold under repurchase agreements	-	-	8,730.1	-	-	-	8,730.1
Deposits from customers	-	93,738.9	27,659.6	33,593.8	94,685.4	-	249,677.7
Interest payable	-	3,013.6	1,749.5	1,251.2	1,615.4	-	7,629.7
Debt securities issued	-	-	13,949.3	8,102.7	1,499.5	-	23,551.5
Others ⁽²⁾	23.7	2,095.3	662.3	113.2	166.5	3.1	3,064.1
Total liabilities	23.7	99,798.5	56,348.1	56,758.8	97,966.8	3.1	310,899.0
New working capital	35,570.7	(81,345.2)	(2,875.5)	37,632.5	(1,302.4)	43,784.7	31,464.8

As of December 31, 2019							
(Expressed in millions of RMB, unless otherwise stated)	Indefinite	Repayable on demand	Less than three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets							
Cash and deposits with the central bank	20,334.8	4,939.5	–	–	–	–	25,274.3
Deposits with banks	–	3,895.8	71.7	–	–	–	3,967.5
Financial assets held under resale agreements	–	–	16,264.0	–	–	–	16,264.0
Financial assets at fair value through profit or loss	–	–	14,657.9	3,193.2	17,991.7	887.1	36,729.9
Interest receivable	–	26.1	653.6	1,031.2	398.4	92.8	2,202.1
Loans and advances to customers	4,075.2	4,996.6	19,538.1	63,138.2	50,620.1	22,398.6	164,766.8
Financial assets at fair value through other comprehensive income	–	–	495.7	2,832.2	7,667.0	4,086.5	15,081.4
Financial assets at amortised costs	4,646.6	760.0	6,393.2	12,529.4	34,533.5	2,834.7	61,697.4
Others ⁽¹⁾	5,569.8	–	–	–	3,491.3	–	9,061.1
Total assets	34,626.4	14,618.0	58,074.2	82,724.2	114,702.0	30,299.7	335,044.5
Liabilities							
Borrowings from the central bank	–	–	1,903.0	413.4	–	–	2,316.4
Deposits from banks and other financial institutions	–	601.9	6,630.0	6,390.0	–	–	13,621.9
Placements from banks and other financial institutions	–	–	580.0	310.0	–	–	890.0
Financial assets sold under repurchase agreements	–	–	5,398.6	–	–	–	5,398.6
Deposits from customers	–	82,717.2	10,021.7	24,280.8	119,848.9	–	236,868.6
Interest payable	–	8,381.7	135.5	155.1	35.2	54.0	8,761.5
Debt securities issued	–	–	10,030.3	23,732.9	999.5	4,696.5	39,459.2
Others ⁽²⁾	26.4	1,994.2	734.8	101.4	180.4	2.1	3,039.3
Total liabilities	26.4	93,695.0	35,433.9	55,383.6	121,064.0	4,752.6	310,355.5
New working capital	34,600.0	(79,077.0)	22,640.3	27,340.6	(6,362.0)	25,547.1	24,689.0

Notes:

- (1) Primarily include property and equipment, interest in an associate, right-of-use assets and deferred tax assets.
- (2) Primarily include accrued staff costs, lease liabilities and taxes payable.

The Bank's liquidity coverage ratio

	December 31, 2020	December 31, 2019
Liquidity coverage ratio (%)	268.73	199.59

The Bank's net stable funding ratio

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2020	September 30, 2020
Closing amount of available stable funds	232,804.6	228,247.6
Closing amount of required stable funds	182,925.2	191,021.0
Net stable funding ratio (%)	127.27	119.49

(v) Reputational risk management

Reputational risk represents the risk of negative publicity caused by the Bank's operations, management or other activities or external events. The general office of the Bank's head office is primarily responsible for reputational risk management, and the Board bears the ultimate responsibility for reputational risk management.

(vi) Legal compliance risk management

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank has a three-tier legal and compliance risk management structure at its head office, branches and sub-branches.

The legal and compliance department at its head office is in charge of managing our overall legal and compliance risks. In addition, the Bank has established discipline inspection, legal and compliance departments at the tier-one branches and sub-branches in charge of the matters in respect of legal compliance and risk management.

The Bank's risk management and internal control committee supervises and leads its legal and compliance work. The Bank systematically manages our internal control compliance and legal affairs by building a management system for internal control compliance and operational risks. The Bank manages legal and compliance risks primarily through the following measures:

- formulating our rules, systems and annual plans, and leading and urging the formulation and amendment thereof;
- enhancing the compliance review mechanism to identify and evaluate compliance risks associated with our business activities;
- developing, coordinating, reviewing and incorporating the Bank's operation authorization plans and revised plans and putting them into implementation;
- uniformly managing standard contracts and other legal documents;
- managing and tracking our legal proceedings;
- formulating an annual compliance management plan, stipulating the focus for annual compliance work;
- managing related parties and connected transactions to control connected transactions in advance;
- optimizing the management mechanism for rectifications upon inspection, and enhancing the supervision and management of our rectifications upon inspection;
- closely monitoring regulatory changes and reporting compliance information and risks to our senior management and the relevant business lines; and
- enhancing internal training on legal and compliance, and issuing compliance alerts and reminders to employees through compliance proposals and internal publications.

(vii) IT risk management

IT risk refers to operational, reputational, legal and other risks arising from information technology application due to natural factors, human factors, technical constraints, management defects and other factors. The IT risk management of the Bank aims to identify, measure, monitor and control IT risks through the development of effective systems.

The IT management committee supervises and guides IT activities of the Bank. The risk management department formulates IT risk management procedures under the supervision of the Board and senior management. The audit department audits IT risks. The IT department and relevant business departments are responsible for the implementation of specific risk management measures, plans and proposals.

(viii) Anti-money laundering management

The Bank has formulated comprehensive anti-money laundering rules and procedures in accordance with the Anti-Money Laundering Law of the PRC and the regulations of the PBOC.

The Board of Directors oversees bank-wide implementation of anti-money laundering policies, supervises senior management with respect to the formulation and implementation of anti-money laundering rules and procedures, reviews reports from senior management on any major anti-money laundering matters and the overall money-laundering risk profile, and adjusts anti-money laundering policies of the Bank on a timely basis.

The Bank has established anti-money laundering leadership groups at its head office, branches and sub-branches.

The anti-money laundering leadership group at its head office leads and coordinates the bank-wide anti-money laundering efforts. It is primarily responsible for:

- formulating anti-money laundering plans;
- reviewing rules and internal controls regarding anti-money laundering;
- ensuring the effective implementation of internal controls for anti-money laundering;
- analyzing significant issues relating to anti-money laundering;

- formulating solutions and responsive measures; and
- reporting to the Board of Directors.

This leadership group is led by the president of the Bank and the office is set up at the legal and compliance department. The members of the leadership group consists of the anti-money laundering leadership management department, the business management department, the responsible persons from the middle and back-end cooperation departments and other parties.

The Bank conducts due diligence on the customers in accordance with anti-money laundering laws and regulations. The Bank reports large-scale and suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center on a daily basis through its anti-money laundering management system. The Bank also reports major reasonably suspected money laundering activities to the local branch of the PBOC and cooperates with their investigations, and reports to local public security units when necessary.

The Bank provides bank-wide anti-money laundering training on a regular basis based on employees' position and seniority. The Bank also requires all new employees to participate in mandatory anti-money laundering training before commencing employment.

(ix) Internal audits

The Bank believes internal audits are essential to its stable operations and achievement of business objectives. It conducts internal audits to monitor the compliance with laws and regulations and the implementation of its internal policies and procedures, with the objective of controlling risks at an acceptable level.

The Bank also aims to conduct effective risk management as well as optimizes internal control compliance and its corporate governance structure, in an effort to improve its operations. It adheres to the principles of independence, importance, prudence, objectiveness and relevance for internal audits.

The Bank has adopted an independent and vertical internal audit management system, consisting of the audit committee of the Board of Directors and the audit department of the head office.

ANALYSIS ON CAPITAL ADEQUACY RATIO

The Bank is required to comply with the CBIRC's capital adequacy ratio requirements. It has calculated and disclosed capital adequacy ratios in accordance with the Capital Administrative Measures.

The table below sets forth certain information relating to its capital adequacy ratio as of December 31, 2020 and 2019.

(Expressed in millions of RMB, unless otherwise stated)	December 31, 2020	December 31, 2019
Core capital		
Paid-up capital	15,069.8	10,069.8
Qualifying portion of capital reserve	5,955.5	4,660.4
Defined benefit plan reserve	(2.8)	(3.4)
Investment revaluation reserve	137.2	219.5
Surplus reserve	1,616.0	1,560.8
General risk reserve	4,539.0	4,471.0
Retained earnings	4,113.9	3,678.9
Qualifying portion of non-controlling interest	20.5	17.5
Core tier-one capital deductions ⁽¹⁾	(249.0)	(253.8)
Net core tier-one capital	31,200.1	24,420.7
Other tier-one capital ⁽²⁾	2.7	2.3
Net tier-one capital	31,202.8	24,423.0
Tier-two capital		
Instruments issued and share premium	–	3,197.2
Surplus reserve for loan impairment	1,294.3	1,500.3
Eligible portion of non-controlling interest	5.5	4.7
Net capital base	32,502.6	29,125.2
Total risk-weighted assets	242,733.5	246,208.0
Core tier-one capital adequacy ratio (%)	12.85	9.92
Tier-one capital adequacy ratio (%)	12.85	9.92
Capital adequacy ratio (%)	13.39	11.83

Notes:

- (1) Primarily include computer software and intangible assets.
- (2) Primarily includes tier-one capital instruments such as preference shares and their premiums.

4. ISSUE OF SECURITIES AND BONDS

4.1 Issuance of Bonds

For the year ended December 31, 2020, the Bank has issued debt securities during the Reporting Period to replenish its capital, the details of which are set out as follows:

Interbank certificates

For the year ended December 31, 2020, the Bank issued several tranches of zero-coupon interbank certificates in an aggregate principal amount of RMB31,910.0 million. The interbank certificates have terms of one month to one year and bear effective interest rates between 1.40% and 3.80% per annum.

Financial bonds

At the meeting of the Board of Directors convened on March 27, 2019, the Board of Directors advised the Bank to issue undated capital bonds to the public in an aggregate amount of no more than RMB5 billion (inclusive). The proposal was considered and approved at the 2018 annual general meeting convened on June 3, 2019, and the mandate shall be valid for 36 months from the date of approval at the 2018 annual general meeting (i.e. June 3, 2019).

At the meeting of the Board convened on March 30, 2020, the Board advised the Bank to issue tier 2 capital bonds to the public in an aggregate amount of no more than RMB5 billion. The proposal was considered and approved at the 2019 annual general meeting convened on June 3, 2020, and the mandate shall be valid for 18 months from the date of approval (i.e. June 3, 2020) at the 2019 annual general meeting.

As of the date of this announcement, the Bank has not issued any bonds as per the aforesaid mandates. The Bank will, according to relevant applicable laws and regulations and the Hong Kong Listing Rules, disclose the progress of issuing financial bonds to the shareholders of the Bank (the “**Shareholders**”) and potential investors in a prompt manner.

5. OTHER INFORMATION

5.1 Corporate Governance

The Bank believes that maintaining high standards of corporate governance mechanisms and high quality corporate governance is one of the key factors to improve its core competitiveness and to build a modern urban commercial bank. Therefore, the Bank focuses on high quality of corporate governance, abides by the best domestic and international corporate governance practice, to protect the rights and interests of the Shareholders and improve the value of the Bank.

The Bank has established a modern corporate governance structure in line with the requirements of the articles of association of the Bank (the “**Articles of Association**”), the PRC laws and regulations and the Hong Kong Listing Rules. The Board of Directors is accountable to the Shareholders as a whole and is responsible for, among others, determining the Group’s business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as establishment of internal management structure. The Board of Directors has established committees to perform specified functions consisting of the strategy and development committee, audit committee, nomination and remuneration committee, consumer rights protection committee and connected transaction and risk management committee. The board of supervisors is accountable to the Shareholders as a whole and has the responsibility and power to supervise the directors and senior management and oversee the Group’s financial activities, risk management and internal control.

The Bank has incorporated the Corporate Governance Code (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 CBRC (the “**Guidelines**”) into the Bank’s governance structure and policies. The Corporate Governance Code and Guidelines are well reflected in the Articles of Association and the Rules of Procedure of the Shareholders’ General Meeting, the Board of Directors and committees under the Board of Directors. The Bank’s Shareholders’ general meeting, the Board of Directors and the board of supervisors perform their respective duties and form good corporate governance structure.

The Bank closely monitors its operation to ensure it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank’s internal policies.

The Bank has established and improved the corporate governance structure and established a series of corporate governance systems according to Corporate Governance Code and Guidelines. The directors believe that,

during the Reporting Period, the Bank has complied with all compulsory provisions contained in the Corporate Governance Code. The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules.

The Bank will review its corporate governance and strengthen management constantly to ensure compliance with the Corporate Governance Code and the Guidelines and meet the higher expectations from its Shareholders and potential investors.

5.2 Securities Transactions by Directors, Supervisors and Senior Management

The Bank has adopted, in respect of securities transactions by directors, supervisors and senior management members, a code of conduct on terms no less rigorous than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Hong Kong Listing Rules.

Having made specific enquiries to all directors, supervisors and members of the senior management of the Bank, the Bank confirmed that they complied with the Model Code since the Reporting Period.

5.3 Profits and Dividend

The Group’s revenue for the year ended December 31, 2020 and the Group’s financial position as of the same date are set out in the consolidated financial statements of this announcement.

To lay a solid foundation of the Bank’s development, and taking into account the need for future growth in a long run as well as other factors, at the Board meeting of the Bank held on March 29, 2021, the Board recommended no distribution of any 2020 final dividend. The Board will submit the above profit distribution plan to the 2020 annual general meeting for approval. In the case of any change in the dividend distribution arrangement mentioned above, the Bank will make an announcement in a timely manner.

5.4 Annual General Meeting and Book Closure Date

The 2020 annual general meeting of the Bank will be held on Monday, May 24, 2021. In order to determine the holders of H Shares who are eligible to attend the 2020 annual general meeting of the Bank, the H share register of the Bank will be closed from Saturday, April 24, 2021 to Monday, May 24, 2021 (both days inclusive), during which period no transfer of H Shares will be registered. In order to qualify for attending the 2020 annual general meeting of the Bank, share certificates accompanied by transfer documents

must be lodged with the Bank's 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, no later than 4:30 p.m. on Friday, April 23, 2021. Holders of H Shares of the Bank who have been registered with Computershare Hong Kong Investor Services Limited on Monday, May 24, 2021 are entitled to attend the 2020 annual general meeting of the Bank.

5.5 Purchase, Sale and Redemption of Listed Securities of the Bank

In order to replenish the core tier 1 capital of the Bank, continue to comply with regulatory requirements, enhance its risk-resistance capacity, boost market confidence and optimize its equity structure, on December 29, 2020, the Bank completed the issuance of 3.75 billion Domestic Shares and 1.25 billion H Shares to eligible subscribers, among which, 1.55 billion Domestic Shares were issued to Gansu State-owned Assets Investment, 1.5 billion Domestic Shares to Gansu Highway Aviation Tourism, 0.35 billion Domestic Shares to Jiuquan Iron & Steel and 0.35 billion Domestic Shares to Jinchuan Group (Gansu State-owned Assets Investment, Gansu Highway Aviation Tourism, Jiuquan Iron & Steel and Jinchuan Group being substantial shareholders or associates of the Bank). In addition, 1.25 billion H Shares were issued by the Bank to Gansu Financial Holding Group Co., Ltd. (an independent third party). Immediately after the completion of the issuance of Domestic Shares and H Shares, the registered capital of the Bank was increased to RMB15,069,791,330, and the total number of the Bank's Shares was increased to 15,069,791,330 Shares, including 11,275,991,330 Domestic Shares and 3,793,800,000 H Shares.

As agreed in the relevant subscription agreements, the subscription price for the issuance of domestic shares was RMB1.26 per share and the subscription price for the issuance of H shares was HK\$1.49 per share (equivalent to RMB1.26), representing a premium of approximately 14.62% to the closing price of H Shares of approximately HK\$1.30 per Share as quoted on the Stock Exchange as at the date of execution of relevant subscription agreements. The net proceeds raised from the issuance after deducting related issuance costs is approximately RMB6.297 billion (equivalent to HK\$7.446 billion), which have been entirely used to replenish core tier 1 capital of the Bank. For further details of the issuance of domestic shares and H Shares, please refer to the announcements dated March 30, 2020, April 17, 2020, June 3, 2020, December 11, 2020 and December 29, 2020, and the circular dated May 18, 2020.

Save for the above-mentioned non-public issuance of domestic shares and H shares, the Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank's listed securities during the Reporting Period.

5.6 Event after the Reporting Period

Neither the Bank nor its subsidiary had other material events after the Reporting Period to the date of this announcement.

6. FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2020

		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest income		14,752,887	14,379,993
Interest expenses		(9,002,476)	(9,092,094)
Net interest income	4	5,750,411	5,287,899
Fee and commission income		379,269	357,626
Fee and commission expenses		(50,432)	(104,370)
Net fee and commission income	5	328,837	253,256
Net trading gains	6	716,300	1,489,821
Net (losses) gains arising from investment securities	7	(1,421)	131,183
Net exchange (losses) gains		(279,690)	68,888
Other operating (expenses) income, net	8	(21,239)	2,275
		413,950	1,692,167
Operating income		6,493,198	7,233,322
Operating expenses	9	(2,319,469)	(2,356,503)
Impairment losses on assets, net of reversals	10	(3,754,524)	(4,311,984)
Operating profit		419,205	564,835
Share of result of an associate		1,322	(68)
Profit before tax		420,527	564,767
Income tax credit (expense)	11	141,826	(53,393)
Profit for the year		562,353	511,374

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit for the year	<u>562,353</u>	<u>511,374</u>
Other comprehensive income/(expense) for the year:		
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
– Remeasurement of defined benefit obligations	850	1,010
– Fair value loss on investment in equity investments at fair value through other comprehensive income	(21,681)	–
– Income tax relating to items that will not be reclassified to profit or loss	<u>5,207</u>	<u>(253)</u>
	<u>(15,624)</u>	<u>757</u>
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Debt instruments at fair value through other comprehensive income		
– Movement of provision for impairment losses	(522)	1,513
– Change in fair value recognised in investment revaluation reserve	(87,546)	(56,922)
– Income tax relating to item that may be reclassified subsequently	<u>22,017</u>	<u>13,451</u>
	<u>(66,051)</u>	<u>(41,958)</u>
Other comprehensive expense for the year, net of income tax	<u>(81,675)</u>	<u>(41,201)</u>
Total comprehensive income for the year	<u><u>480,678</u></u>	<u><u>470,173</u></u>

		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to:			
– Owners of the Bank		558,159	509,111
– Non-controlling interests		4,194	2,263
		<u>562,353</u>	<u>511,374</u>
Total comprehensive income for the year attributable to:			
– Owners of the Bank		476,484	467,910
– Non-controlling interests		4,194	2,263
		<u>480,678</u>	<u>470,173</u>
Earnings per share			
Basic and diluted (<i>RMB cents</i>)	12	<u>5.52</u>	<u>5.06</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2020

		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Cash and deposits with the central bank		26,666,680	25,274,278
Deposits with banks		3,716,145	3,967,542
Financial assets held under resale agreements		19,150,091	16,263,996
Financial assets at amortised cost	<i>13</i>	68,932,101	61,697,396
Interests receivables		4,151,959	2,202,105
Loans and advances to customers	<i>14</i>	176,386,767	164,766,836
Financial assets at fair value through profit or loss	<i>15</i>	25,837,489	36,729,899
Financial assets at fair value through other comprehensive income	<i>16</i>	11,213,115	15,081,447
Interest in an associate		10,224	8,902
Property and equipment		2,959,332	2,825,257
Right-of-use assets		338,438	345,173
Deferred tax assets		1,833,475	1,643,070
Other assets		1,167,972	4,238,584
Total assets		<u>342,363,788</u>	<u>335,044,485</u>

	<i>Note</i>	2020 RMB'000	2019 RMB'000
Liabilities and equity			
Liabilities			
Borrowings from the central bank		6,620,195	2,316,353
Deposits from banks and other financial institutions		11,625,724	13,621,889
Placements from banks and other financial institutions		–	890,000
Financial assets sold under repurchase agreements		8,730,070	5,398,580
Deposits from customers		249,677,701	236,868,657
Accrued staff costs		551,265	505,487
Taxes payable		3,662	2,969
Interests payables		7,629,663	8,761,501
Debts securities issued	17	23,551,545	39,459,173
Deferred tax liabilities		23,698	97,243
Lease liabilities		282,817	283,931
Other liabilities		2,202,702	2,149,700
Total liabilities		310,899,042	310,355,483
Equity			
Share capital		15,069,791	10,069,791
Capital reserve		5,955,483	4,660,417
Defined benefit plan reserve		(2,762)	(3,399)
Investment revaluation reserve		137,157	219,469
Surplus reserve		1,615,945	1,560,835
General reserve		4,538,992	4,471,044
Retained earnings		4,113,917	3,678,816
Total equity attributable to the owners of the Bank		31,428,523	24,656,973
Non-controlling interests		36,223	32,029
Total equity		31,464,746	24,689,002
Total liabilities and equity		342,363,788	335,044,485

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2020

	Attributable to the owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020	10,069,791	4,660,417	(3,399)	219,469	1,560,835	4,471,044	3,678,816	24,656,973	24,689,002
Profit for the year	-	-	-	-	-	-	558,159	558,159	562,353
Other comprehensive income/(expense) for the year	-	-	637	(82,312)	-	-	-	(81,675)	(81,675)
Total comprehensive income/(expense) for the year	-	-	637	(82,312)	-	-	558,159	476,484	480,678
Shareholders' injection	-	904	-	-	-	-	-	904	904
Change in share capital									
– Capital contribution by equity shareholders	5,000,000	1,297,209	-	-	-	-	-	6,297,209	6,297,209
– Share issue expenses	-	(3,047)	-	-	-	-	-	(3,047)	(3,047)
Appropriation of profits									
– Appropriation to surplus reserve	-	-	-	-	55,110	-	(55,110)	-	-
– Appropriation to general reserve	-	-	-	-	-	67,948	(67,948)	-	-
At December 31, 2020	<u>15,069,791</u>	<u>5,955,483</u>	<u>(2,762)</u>	<u>137,157</u>	<u>1,615,945</u>	<u>4,538,992</u>	<u>4,113,917</u>	<u>31,428,523</u>	<u>31,464,746</u>

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Defined benefit plan reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019	10,069,791	4,658,314	(4,156)	261,427	1,510,052	4,423,117	4,297,780	25,216,325	25,247,591
Profit for the year	-	-	-	-	-	-	509,111	509,111	511,374
Other comprehensive income/(expense) for the year	-	-	757	(41,958)	-	-	-	(41,201)	(41,201)
Total comprehensive income/(expense) for the year	-	-	757	(41,958)	-	-	509,111	467,910	470,173
Shareholders' injection	-	2,103	-	-	-	-	-	2,103	2,103
Appropriation of profits									
– Appropriation to surplus reserve	-	-	-	-	50,783	-	(50,783)	-	-
– Appropriation to general reserve	-	-	-	-	-	47,927	(47,927)	-	-
Dividends paid	-	-	-	-	-	-	(1,029,365)	(1,029,365)	(1,029,365)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(1,500)	(1,500)
At December 31, 2019	<u>10,069,791</u>	<u>4,660,417</u>	<u>(3,399)</u>	<u>219,469</u>	<u>1,560,835</u>	<u>4,471,044</u>	<u>3,678,816</u>	<u>24,656,973</u>	<u>24,689,002</u>

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
OPERATING ACTIVITIES		
Profit before tax	420,527	564,767
Adjustments for:		
Depreciation of property and equipment	372,471	386,957
Depreciation of right-of-use assets	138,348	113,443
Amortisation of intangible assets	6,394	4,379
Impairment losses on assets, net of reversals	3,754,524	4,311,984
Interest expense on lease liabilities	6,310	6,617
Interest expense on debts securities issued	1,219,208	1,579,603
Loss on disposal of repossessed assets	10,244	–
Loss on disposal of property and equipment	28	2,703
Unrealised losses from debt securities at fair value through profit or loss	206,633	95,160
Net losses/(gains) arising from investment securities	1,421	(131,183)
Government grants	(6,471)	(5,708)
Interest income on investments	(3,923,379)	(3,320,437)
Share of result of an associate	(1,322)	68
	<u>2,204,936</u>	<u>3,608,353</u>
Changes in operating assets		
Net (increase)/decrease in deposits with the central bank	(651,349)	4,382,237
Net (increase)/decrease in deposits with banks	(68,131)	4,129,000
Net decrease in financial assets at fair value through profit or loss	10,685,777	6,535,998
Net increase in loans and advances to customers	(14,724,834)	(14,560,604)
Net increase in other operating assets	(1,403,172)	(6,416,006)
	<u>(6,161,709)</u>	<u>(5,929,375)</u>

	2020 RMB'000	2019 <i>RMB'000</i>
Changes in operating liabilities		
Net increase/(decrease) in borrowings from central bank	4,303,842	(9,334,498)
Net decrease in deposits and placements from banks and other financial institutions	(2,886,165)	(4,301,883)
Net increase/(decrease) in financial assets sold under repurchase agreements	3,331,490	(6,318,405)
Net increase in deposits from customers	12,809,044	26,145,340
Net (decrease)/increase in other operating liabilities	<u>(931,747)</u>	<u>3,169,950</u>
	<u>16,626,464</u>	<u>9,360,504</u>
Cash generated from operations	12,669,691	7,039,482
Income tax paid	<u>(94,207)</u>	<u>(489,940)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>12,575,484</u>	<u>6,549,542</u>
INVESTING ACTIVITIES		
Proceeds from disposal and redemption of investments	28,580,355	67,179,777
Interest income received from financial investments	2,783,508	2,972,680
Proceeds from disposal of property and equipment	449	79,895
Payments on acquisition of investments	(29,295,644)	(81,558,348)
Payments on acquisition of property and equipment and intangible assets	(263,271)	(296,213)
Deposits paid for acquisition of premises	<u>–</u>	<u>(45,689)</u>
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	<u>1,805,397</u>	<u>(11,667,898)</u>

	2020 RMB'000	2019 <i>RMB'000</i>
FINANCING ACTIVITIES		
Shareholders' injection	904	2,103
Government grants received	6,471	5,708
Proceeds from capital contribution by equity shareholders	6,297,209	–
Shares issue expenses	(3,047)	–
Net proceeds from issue of new debt securities	31,250,945	33,992,480
Repayment of debt securities issued	(48,030,000)	(36,560,000)
Repayment of lease liabilities	(132,727)	(147,051)
Interest paid on debts securities issued	(454,727)	(1,130,619)
Interest paid on lease liabilities	(6,310)	(6,617)
Dividends paid	(1,979)	(1,012,230)
Dividends paid to non-controlling interests	<u>–</u>	<u>(1,500)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(11,073,261)</u>	<u>(4,857,726)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>3,307,620</u>	<u>(9,976,082)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	<u>25,171,047</u>	<u>35,147,129</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u>28,478,667</u>	<u>25,171,047</u>
Interest received	<u>13,493,123</u>	<u>14,718,402</u>
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	<u>(8,801,805)</u>	<u>(5,162,370)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. GENERAL

Bank of Gansu Co., Ltd (the “**Bank**”) was established in Lanzhou, Gansu Province, the People’s Republic of China (the “**PRC**”) on September 27, 2011 with the approval of China Banking and Insurance Regulatory Commission (“**CBIRC**”). Prior to its establishment, the banking business was carried out by two city commercial banks (the “**Predecessor Entities**”), each being located in Gansu Province.

Pursuant to reorganisation initiated by the People’s Government of Gansu Province, the Bank was established through the merger and reorganisation of the Predecessor Entities.

The Bank obtained its finance permit No. B1228H262010001 from the CBIRC, and obtained its business license No. 91620000585910383X from the Gansu Administration of Industry and Commerce. The legal representative is Liu Qing and the address of the registered office and principal place of business is No. 122, Gannan Road, Chengguan District, Lanzhou, Gansu Province.

On January 18, 2018, the Bank’s H shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (Stock code: 2139).

As at December 31, 2020, the Bank has a head office, 12 branches, 188 sub-branches, 6 micro-to-small enterprise sub-branches, 3 community sub-branches and a subsidiary. The principal activities of the Bank and its subsidiary (hereinafter collectively referred to as the “**Group**”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBIRC. The Group operates in Mainland China.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Bank and its subsidiary.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in IFRSs and the following amendments to IFRSs, which include IFRSs, International Accounting Standards (“**IAS(s)**”), amendments and related Interpretations (“**IFRICs**”), issued by the International Accounting Standards Board (the “**IASB**”) which are effective for the Group’s financial year beginning January 1, 2020.

Amendments to IAS 1 Definition of Material
and IAS 8

Amendments to IFRS 9, Interest Rate Benchmark Reform
IAS 39 and IFRS 7

Amendments to IFRS 3 Definition of a Business

Except as described below, the application of the Amendments to References to the Conceptual Framework in IFRS and the amendments to IFRSs and IASs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRS 9, IAS 39 and IFRS 7, Interest Rate Benchmark Reform

Amendments to IFRS 9, IAS 39 and IFRS 7 address the effects of interbank offered rate reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8, Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

The application of these amendments in the current year had no impact on the consolidated financial statements.

New and amendments to IFRSs issued but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and related Amendments ⁵
Amendments to IFRS 3	Reference to Conceptual Framework ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ⁵
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ³
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ³
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to IFRS 16	COVID-19-Related Rent Concessions ⁴
Amendment to IFRSs	Annual Improvements to IFRSs 2018 – 2020 cycle ³

1 Effective for annual periods beginning on or after January 1, 2021.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after January 1, 2022.

4 Effective for annual periods beginning on or after June 1, 2020.

5 Effective for annual periods beginning on or after January 1, 2023.

The directors of the Bank anticipate that the application of the new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

4. NET INTEREST INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income arising from		
–Deposits with the central bank	350,623	392,837
–Deposits with banks	40,081	244,144
–Placements with banks and other financial institutions	696	25
–Loans and advances to customers:		
Corporate loans and advances	7,017,495	7,103,516
Personal loans and advances	2,242,990	1,888,784
Discounted bills	827,863	978,435
–Financial assets held under resale agreements	349,760	451,815
– Financial assets at fair value through other comprehensive income	510,605	663,302
–Financial assets at amortised cost	3,412,774	2,657,135
	<u>14,752,887</u>	<u>14,379,993</u>
Less: Interest expenses arising from		
–Borrowings from the central bank	(61,150)	(177,173)
–Deposits from banks and other financial institutions	(461,746)	(483,009)
–Placements from banks and other financial institutions	(15,946)	(71,817)
–Deposits from customers:		
Corporate customers	(2,129,576)	(2,126,295)
Individual customers	(5,041,681)	(4,456,770)
–Financial assets sold under repurchase agreements	(66,859)	(190,810)
–Debts securities issued	(1,219,208)	(1,579,603)
–Lease liabilities	(6,310)	(6,617)
	<u>(9,002,476)</u>	<u>(9,092,094)</u>
	<u><u>5,750,411</u></u>	<u><u>5,287,899</u></u>

5. NET FEE AND COMMISSION INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fee and commission income		
– Wealth management service fees	50,428	36,251
– Bank acceptance bills service fees	41,529	27,567
– Agency services fees	68,182	120,624
– Settlement and clearing fees	190,691	146,431
– Letter of guarantee service fees	2,274	2,480
– Others	26,165	24,273
	<u>379,269</u>	<u>357,626</u>
Fee and commission expenses		
– Settlement and clearing fees	(6,912)	(13,219)
– Bank card service fees	(41,320)	(63,345)
– Others	(2,200)	(27,806)
	<u>(50,432)</u>	<u>(104,370)</u>
	<u><u>328,837</u></u>	<u><u>253,256</u></u>

6. NET TRADING GAINS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Financial assets at FVTPL		
–Realised gains from debt securities	232,843	935,702
–Unrealised losses from debt securities	(206,633)	(95,160)
Interest income arising from financial asset at FVTPL	<u>690,090</u>	<u>649,279</u>
	<u><u>716,300</u></u>	<u><u>1,489,821</u></u>

7. NET (LOSSES) GAINS ARISING FROM INVESTMENT SECURITIES

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Net (losses) gains on disposal of financial assets at fair value through other comprehensive income	<u>(1,421)</u>	<u>131,183</u>

8. OTHER OPERATING (EXPENSES) INCOME, NET

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	6,471	5,708
Loss on disposal of property and equipment	(28)	(2,703)
Loss on disposal of repossessed assets	(10,244)	–
Rental income	3,443	7,804
Other operating expenses	<u>(20,881)</u>	<u>(8,534)</u>
	<u>(21,239)</u>	<u>2,275</u>

9. OPERATING EXPENSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Staff costs (including directors' and supervisors' emoluments)		
– Salaries and bonuses	899,886	905,229
– Staff welfares	51,993	49,857
– Social insurance	168,208	218,995
– Housing allowances	72,740	67,057
– Labor union and staff education expenses	16,400	22,541
– Long term staff welfare expenses	–	400
– Others	5,751	8,035
	<u>1,214,978</u>	<u>1,272,114</u>
Premises and equipment expenses		
– Depreciation of property and equipment	372,471	386,957
– Depreciation of right-of-use assets	138,348	113,443
– Amortisation of intangible assets	6,394	4,379
– Rental and property management expenses	45,547	60,207
	<u>562,760</u>	<u>564,986</u>
Business tax and surcharges	92,630	76,069
Other general and administrative expenses (Note)	449,101	443,334
	<u><u>2,319,469</u></u>	<u><u>2,356,503</u></u>

Note: Auditor's remuneration for the year ended December 31, 2020 was approximately RMB3,388,000 (2019: approximately RMB3,300,000).

10. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Impairment losses, net of reversals on:		
Financial assets at FVTOCI	(522)	1,513
Financial assets at amortised cost	651,042	675,784
Other receivables	(9,363)	76,229
Loans and advances to customers	3,104,903	3,598,267
Deposits with banks	–	(4,709)
Acceptance bills, letters of guarantees and unused credit card commitments	8,464	(35,100)
	<u>3,754,524</u>	<u>4,311,984</u>

11. INCOME TAX (CREDIT) EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax:		
– PRC Enterprise Income Tax	94,900	1,739
Deferred tax:		
– Current year	(236,726)	51,654
	<u>(141,826)</u>	<u>53,393</u>

Under the Law of the People's Republic of China on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the tax rate of the PRC companies is 25%. Pingliang Jingning Chengji Rural Bank Co., Ltd. (“平涼市靜寧成紀村鎮銀行股份有限公司”, “**Jingning Chengji Rural Bank**”), a subsidiary of the Bank, obtained approvals from tax authorities to adopt the preferential income tax rate of 15% for the years ended December 31, 2020 and 2019.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Bank is based on the following data:

	2020	2019
Profit for the year attributable to owners of the Bank (<i>RMB'000</i>)	<u>558,159</u>	<u>509,111</u>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (<i>'000</i>)	<u><u>10,110,775</u></u>	<u><u>10,069,791</u></u>

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended December 31, 2020 and 2019.

13. FINANCIAL ASSETS AT AMORTISED COST

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Financial asset measured at amortised cost		
Debt securities issued by the following institutions in Mainland China		
– Government	22,687,965	14,906,774
– Banks and other financial institutions	13,905,876	11,937,294
– Corporations	4,647,611	4,385,172
Trust plans	17,490,179	17,786,844
Asset management plans	11,308,700	13,948,670
Asset-backed securities issued by bank and other institutions	249,000	59,527
	70,289,331	63,024,281
Less: Provision for impairment losses	(1,357,230)	(1,326,885)
	68,932,101	61,697,396
Analysed as:		
Listed outside Hong Kong	38,189,110	27,541,473
Unlisted outside Hong Kong	30,742,991	34,155,923
	68,932,101	61,697,396
Fair value	68,792,814	62,143,647

14. LOANS AND ADVANCES TO CUSTOMERS

Analysed by nature

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Gross loans and advances to customers		
Corporate loans and advances	<u>110,853,360</u>	<u>111,292,030</u>
Personal loans and advances		
– Personal business loans	6,572,616	6,997,942
– Personal consumption loans	13,876,986	10,196,924
– Residential and commercial mortgage loans	<u>20,910,149</u>	<u>17,070,660</u>
	<u>41,359,751</u>	<u>34,265,526</u>
Discounted bills	<u>29,612,546</u>	<u>24,891,685</u>
	<u>181,825,657</u>	<u>170,449,241</u>
Less: Provision for impairment losses	<u>(5,438,890)</u>	<u>(5,682,405)</u>
	<u><u>176,386,767</u></u>	<u><u>164,766,836</u></u>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Financial assets held for trading (<i>Note (i)</i>)	2,351,893	1,210,450
Trust plans	1,635,851	4,305,588
Asset management plans	14,363,297	24,013,317
Investment funds	7,486,448	6,887,405
Other debt securities (<i>Note (ii)</i>)	–	313,139
	<u>25,837,489</u>	<u>36,729,899</u>
Analysed as:		
Listed outside Hong Kong	2,351,893	1,210,450
Unlisted outside Hong Kong	<u>23,485,596</u>	<u>35,519,449</u>
	<u>25,837,489</u>	<u>36,729,899</u>

Notes:

(i) Financial assets held for trading:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Debt securities issued by the following institutions in Mainland China:		
– Banks and other financial institutions	1,970,881	1,160,051
– Corporations	<u>381,012</u>	<u>50,399</u>
	<u>2,351,893</u>	<u>1,210,450</u>

As at December 31, 2020, no financial assets at FVTPL were subject to material restrictions on the realisation (2019: nil).

The above debt securities traded on the China Interbank Bond Market are included in “Listed outside Hong Kong”.

(ii) Other debt securities

Other debt securities mainly represented investments, financed by the proceeds raised from principal-guaranteed wealth management products issued by the Group.

16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Debt instruments classified at FVTOCI		
Debt securities issued by the following institutions in Mainland China		
– Government	3,645,248	4,186,930
– Banks and other financial institutions	6,920,507	10,231,910
– Corporations	325,782	347,513
	<u>10,891,537</u>	<u>14,766,353</u>
Unlisted equity investments designated at FVTOCI	<u>321,578</u>	<u>315,094</u>
	<u>11,213,115</u>	<u>15,081,447</u>
Analysed as:		
Listed in Hong Kong	382,564	347,513
Listed outside Hong Kong	10,508,973	14,418,840
Unlisted outside Hong Kong	321,578	315,094
	<u>11,213,115</u>	<u>15,081,447</u>

17. DEBT SECURITIES ISSUED

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Fixed rates financial bonds	2,499,512	5,998,191
Fixed rate tier-two capital bonds issued	–	3,197,198
Interbank deposits	21,052,033	30,263,784
	<u>23,551,545</u>	<u>39,459,173</u>

18. DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
2018 final dividend (<i>Note</i>)	<u>–</u>	<u>1,029,365</u>

Note:

Pursuant to the resolution of the shareholders meeting held on June 4, 2019, the Bank declared final cash dividends in respect of the year ended December 31, 2018 of approximately RMB0.1022 per share (tax included) based on approximately 10,069,791,000 shares held amounting to approximately RMB1,029,365,000 during the year ended December 31, 2019.

Subsequent to the end of the reporting period, no final dividend in respect of the year ended December 31, 2020 and 2019 has been proposed by the directors of the Bank.

19. SEGMENT REPORTING

The Group manages its business by business lines and geographical areas. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group defines reporting segments based on the following operating segments:

Corporate banking

This segment represents the provision of a range of financial products and services to corporations and government agencies. These products and services include corporate loans and advances, deposit taking activities, agency services, consulting and advisory services, remittance and settlement services and guarantee services.

Retail banking

This segment represents the provision of a range of financial products and services to retail customers. These products and services include personal loans and deposit taking activities, bank card business, personal wealth management services and remittance services.

Financial market operations

This segment covers the Group's financial market operations. The financial market operations enters into inter-bank money market transactions, repurchases transactions and investments. It also trades in debt securities. The financial market segment also covers management of the Group's overall liquidity position, including the issuance of debts.

Others

These represent assets, liabilities, income and expenses which cannot directly attributable or cannot be allocated to a segment on a reasonable basis.

Measurement of segment assets and liabilities and of segment income, expenses and results is based on the Group's accounting policies.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. Interest income and expense earned from third parties are referred to as "external net interest income/(expense)". Net interest income and expense arising from internal charges and transfer pricing adjustments are referred to as "internal net interest income/(expense)".

Segment income, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, with the exception of deferred tax assets and liabilities and dividend payable. Segment income and expenses, assets and liabilities are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment and intangible assets.

Segment results, assets and liabilities

	Year ended December 31, 2020				
	Corporate banking RMB'000	Retail banking RMB'000	Financial market operations RMB'000	Others RMB'000	Total RMB'000
Operating income					
External net interest income/ (expense)	4,887,919	(2,798,691)	3,661,183	–	5,750,411
Internal net interest (expense)/ income	(2,588,562)	4,763,515	(2,174,953)	–	–
Net interest income	2,299,357	1,964,824	1,486,230	–	5,750,411
Net fee and commission income	210,715	50,428	41,529	26,165	328,837
Net trading gains	–	–	716,300	–	716,300
Net losses arising from investment securities	–	–	(1,421)	–	(1,421)
Net exchange losses	–	–	–	(279,690)	(279,690)
Other operating expenses, net	–	–	–	(21,239)	(21,239)
Operating income/(expense)	2,510,072	2,015,252	2,242,638	(274,764)	6,493,198
Operating expenses	(896,636)	(719,879)	(801,105)	98,151	(2,319,469)
Impairment losses on assets, net of reversals	(2,736,092)	(389,162)	(630,169)	899	(3,754,524)
Operating (loss)/profit	(1,122,656)	906,211	811,364	(175,714)	419,205
Share of result of an associate	–	–	–	1,322	1,322
(Loss)/profit before tax	(1,122,656)	906,211	811,364	(174,392)	420,527
Segment assets	109,721,562	41,564,659	188,696,218	547,874	340,530,313
Deferred tax assets	–	–	–	1,833,475	1,833,475
Total assets	109,721,562	41,564,659	188,696,218	2,381,349	342,363,788
Segment liabilities	90,430,662	156,258,449	64,023,809	138,708	310,851,628
Deferred tax liabilities	–	–	–	23,698	23,698
Dividend payable	–	–	–	23,716	23,716
Total liabilities	90,430,662	156,258,449	64,023,809	186,122	310,899,042
Other segment information					
– Depreciation and amortisation	165,757	62,792	285,066	3,598	517,213
– Capital expenditure	163,140	61,801	280,565	3,541	509,047

	Year ended December 31, 2019				
	Corporate banking <i>RMB'000</i>	Retail banking <i>RMB'000</i>	Financial market operations <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Operating income					
External net interest income/ (expense)	4,977,220	(2,567,987)	2,878,666	–	5,287,899
Internal net interest (expense)/ income	(1,874,016)	3,963,142	(2,089,126)	–	–
Net interest income	3,103,204	1,395,155	789,540	–	5,287,899
Net fee and commission income	135,165	66,251	27,567	24,273	253,256
Net trading gains	–	–	1,489,821	–	1,489,821
Net gains arising from investment securities	–	–	131,183	–	131,183
Net exchange gains	–	–	–	68,888	68,888
Other operating income, net	–	–	–	2,275	2,275
Operating income	3,238,369	1,461,406	2,438,111	95,436	7,233,322
Operating expenses	(1,055,021)	(476,108)	(794,307)	(31,067)	(2,356,503)
Impairment losses on assets	(3,193,420)	(404,847)	(677,297)	(36,420)	(4,311,984)
Operating (loss)/profit	(1,010,072)	580,451	966,507	27,949	564,835
Share of result of associate	–	–	–	(68)	(68)
(Loss)/profit before tax	<u>(1,010,072)</u>	<u>580,451</u>	<u>966,507</u>	<u>27,881</u>	<u>564,767</u>
Segment assets	110,799,219	34,861,870	187,318,644	421,682	333,401,415
Deferred tax assets	–	–	–	1,643,070	1,643,070
Total assets	<u>110,799,219</u>	<u>34,861,870</u>	<u>187,318,644</u>	<u>2,064,752</u>	<u>335,044,485</u>
Segment liabilities	87,806,823	144,295,260	78,092,012	38,450	310,232,545
Deferred tax liabilities	–	–	–	97,243	97,243
Dividend payable	–	–	–	25,695	25,695
Total liabilities	<u>87,806,823</u>	<u>144,295,260</u>	<u>78,092,012</u>	<u>161,388</u>	<u>310,355,483</u>
Other segment information					
– Depreciation and amortisation	166,577	50,478	282,676	5,048	504,779
– Capital expenditure	<u>97,750</u>	<u>29,621</u>	<u>165,879</u>	<u>2,963</u>	<u>296,213</u>

20. COMMITMENTS

(a) Credit commitments

The Group's credit commitments take the form of bank acceptances, letters of credit and financial guarantees and unused credit card commitment.

The Group provides letters of guarantees and letters of credit to guarantee the performance of customers to third parties. Acceptances comprise of undertakings by the Group to pay bills of exchange drawn on customers. The Group expects most acceptances to be settled simultaneously with the reimbursement from the customers. The amounts disclosed in respect of unused credit card commitments are under the assumption that the amounts will be fully advanced.

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Bank acceptances	18,488,830	22,576,503
Letters of guarantees	1,686,482	1,510,474
Unused credit card commitment	5,857,325	872,439
Letters of credit	903,816	40,387
	<u>26,936,453</u>	<u>24,999,803</u>

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

(b) Capital commitments

At December 31, 2020 and 2019, the Group's authorised capital commitments are as follows:

The Group

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of property and equipment		
– Contracted for but not provided	<u>30,248</u>	<u>15,979</u>

7. PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement has been published on the HKExnews website of Hong Kong Stock Exchange (www.hkexnews.hk) and website of the Bank (www.gsbankchina.com). The 2020 Annual Report of the Bank prepared in accordance with the IFRSs will be published on the HKExnews website of Hong Kong Stock Exchange and website of the Bank and will be despatched to the H Shareholders of the Bank in due course in accordance with the relevant requirements under the Listing Rules.

8. CHANGE OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG

With effect from March 29, 2021, the Bank's principal place of business in Hong Kong has been changed to 40/F, Dah Sing Financial Centre, No. 248 Queen's Road East, Wanchai, Hong Kong.

By Order of the Board
Bank of Gansu Co., Ltd.*
Liu Qing
Chairman

Lanzhou, Gansu
March 29, 2021

*As at the date of this announcement, the Board of Directors comprises Mr. LIU Qing and Mr. WANG Wenyong as executive directors; Ms. WU Changhong, Ms. ZHANG Hongxia, Mr. GUO Jirong, Mr. ZHANG Youda and Mr. LIU Wanxiang** as non-executive directors; and Ms. TANG Xiuli, Ms. LUO Mei, Mr. WONG Sincere and Mr. DONG Ximiao as independent non-executive directors.*

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

** *The qualification of Mr. LIU Wanxiang as director is subject to approval of the competent regulatory authority.*