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SHENGJING BANK CO., LTD.*

盛京银行股份有限公司*

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

(Stock Code: 02066)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the “**Board**”) of Shengjing Bank Co., Ltd. (the “**Bank**”) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank and its subsidiaries for the year ended 31 December 2020 prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board and the proposed dividend arrangement for the year of 2020. The Board and the audit committee have reviewed and confirmed the Annual Results.

The Annual Results are published on the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Bank (www.shengjingbank.com.cn). The 2020 annual report of the Bank will be despatched to the holders of H shares of the Bank and be available at the abovementioned websites in due course.

By order of the Board
Shengjing Bank Co., Ltd.
ZHOU Zhi
Joint Company Secretary

Shenyang, Liaoning Province, China
30 March 2021

As at the date of this announcement, the executive directors of the Bank are Mr. QIU Huofa, Mr. SHEN Guoyong, Ms. ZHANG Jun, Mr. SHI Yang and Ms. LI Ying; the non-executive directors of the Bank are Mr. SU Qingxiang, Mr. LIANG Zhifang, Mr. ZHU Jialin and Mr. JI Kun; and the independent non-executive directors of the Bank are Mr. NI Guoju, Mr. KEUNG Chak, Mr. TAI Kwok Leung, Alexander, Mr. XING Tiancai and Mr. LI Jinyi.

* *Shengjing Bank Co., Ltd. is not an authorised 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 authorised to carry on banking and/or deposit-taking business in Hong Kong.*

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COMPANY INFORMATION

Legal Name in Chinese	盛京银行股份有限公司
Abbreviation in Chinese	盛京銀行
Legal Name in English	Shengjing Bank Co., Ltd.
Abbreviation in English	SHENGJING BANK
Legal Representative	QIU Huofa
Authorised Representatives	QIU Huofa and ZHOU Zhi
Secretary to the Board of Directors	ZHOU Zhi
Joint Company Secretaries	ZHOU Zhi and KWONG Yin Ping, Yvonne
Registered and Business Address	No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Contact Number	86-24-22535633
Website	www.shengjingbank.com.cn
Principal Place of Business in Hong Kong	Unit 4105, 41/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Website of the Hong Kong Stock Exchange on which the H Share Annual Report is Published	http://www.hkexnews.hk/
Place of Maintenance of the Annual Report	Office of the Board of Directors of Shengjing Bank
Short Name	Shengjing Bank
Stock Code	02066

H Share Registrar and its Business Address	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen’s Road East, Wanchai, Hong Kong
Legal Advisor as to PRC Laws and its Business Address	Tian Yuan Law Firm 10/F, China Pacific Insurance Plaza 28 Fengsheng Hutong Xicheng District Beijing, the PRC
Legal Advisor as to Hong Kong Law and its Business Address	Freshfields Bruckhaus Deringer 55th Floor, One Island East, Taikoo Place Quarry Bay, Hong Kong
Auditor and its Business Address	KPMG 8th Floor, Prince’s Building 10 Chater Road Hong Kong



FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)		Year-on-year change between 2020 and 2019				
	2020	2019		2018	2017	2016
			Rate of change (%)			
Operating Results						
Interest income	42,533,959	44,944,020	(5.4)	42,805,495	42,277,528	36,055,533
Interest expense	(27,975,598)	(28,594,168)	(2.2)	(30,387,931)	(30,201,911)	(22,837,867)
Net interest income	14,558,361	16,349,852	(11.0)	12,417,564	12,075,617	13,217,666
Net non-interest income	1,708,452	4,657,415	(63.3)	3,467,902	1,174,066	2,896,210
Operating income	16,266,813	21,007,267	(22.6)	15,885,466	13,249,683	16,113,876
Operating expenses	(5,050,086)	(4,631,365)	9.0	(3,945,215)	(3,617,442)	(3,730,598)
Impairment losses on assets	(10,625,363)	(10,233,200)	3.8	(6,401,249)	(1,403,284)	(3,675,411)
Operating profit	591,364	6,142,702	(90.4)	5,539,002	8,228,957	8,707,867
Share of profits of associates	—	—	—	—	—	—
Profit before taxation	591,364	6,142,702	(90.4)	5,539,002	8,228,957	8,707,867
Income tax expense	640,577	(704,641)	N/A	(412,854)	(654,818)	(1,829,575)
Net profit	1,231,941	5,438,061	(77.3)	5,126,148	7,574,139	6,878,292
Net profit attributable to equity shareholders of the Bank	1,203,777	5,443,224	(77.9)	5,128,717	7,580,055	6,864,520

(Expressed in thousands of Renminbi, unless otherwise stated)	2020	2019	Year-on-year change between 2020 and 2019	2018	2017	2016
Change						
Calculated on a per share basis (RMB)						
Basic and diluted earnings per share	0.14	0.90	(0.76)	0.88	1.31	1.18
Rate of change (%)						
Major indicators of assets/liabilities						
Total assets	1,037,958,375	1,021,480,796	1.6	985,432,940	1,030,617,431	905,482,647
Of which: total loans and advances to customer ⁽¹⁾	547,062,557	457,202,375	19.7	376,597,360	279,513,418	235,416,650
Total liabilities	957,911,826	942,358,811	1.7	928,403,456	978,361,775	859,108,021
Of which: total deposits from customers ⁽¹⁾	681,404,747	641,428,191	6.2	514,166,997	473,580,808	415,246,159
Share capital	8,796,680	8,796,680	0.0	5,796,680	5,796,680	5,796,680
Equity attributable to equity shareholders of the Bank	79,451,932	78,555,532	1.1	56,457,868	51,681,375	45,794,429
Total equity	80,046,549	79,121,985	1.2	57,029,484	52,255,656	46,374,626
Change						
Profitability Indicators (%)						
Return on average total assets ⁽²⁾	0.12	0.54	(0.42)	0.51	0.78	0.86
Return on average equity ⁽³⁾	1.55	7.99	(6.44)	9.38	15.36	15.62
Net interest spread ⁽⁴⁾	1.55	1.59	(0.04)	1.33	1.36	1.65
Net interest margin ⁽⁵⁾	1.62	1.76	(0.14)	1.43	1.50	1.75
Net fee and commission income to operating income	4.23	5.50	(1.27)	3.95	12.17	11.88
Cost-to-income ratio ⁽⁶⁾	29.76	21.31	8.45	24.13	26.22	19.31
Change						
Asset quality indicators (%)						
Non-performing loan ratio ⁽⁷⁾	3.26	1.75	1.51	1.71	1.49	1.74
Allowance to non-performing loans ⁽⁸⁾	114.05	160.90	(46.85)	160.81	186.02	159.17
Allowance to total loans ⁽⁹⁾	3.72	2.82	0.90	2.75	2.77	2.78



FINANCIAL HIGHLIGHTS

(Expressed in thousands of Renminbi, unless otherwise stated)		Year-on-year change between 2020 and 2019				
	2020	2019		2018	2017	2016
Capital adequacy indicators						
(%)			Change			
Core Tier-one capital adequacy ratio ⁽¹⁰⁾	11.07	11.48	(0.41)	8.52	9.04	9.10
Tier-one capital adequacy ratio ⁽¹⁰⁾	11.07	11.48	(0.41)	8.52	9.04	9.10
Capital adequacy ratio ⁽¹⁰⁾	12.23	14.54	(2.31)	11.86	12.85	11.99
Total equity to total assets ratio	7.71	7.75	(0.04)	5.79	5.07	5.12
Other indicators (%)						
			Change			
Loan-to-deposit ratio ⁽¹¹⁾	80.28	71.28	9.00	73.24	59.02	56.69

Notes:

- (1) Total balance of loans and advances to customers excludes interest receivables, total deposits from customers excludes interest payables.
- (2) Calculated by dividing the net profit by the average of total assets at the beginning and at the end of the period.
- (3) Representing the net profit during the period as a percentage of the average balance of total equity at the beginning and the end of the period.
- (4) Calculated by deducting the average interest rate of interest-bearing liabilities from the average return rate of interest-earning assets.
- (5) Calculated by dividing net interest income by the average interest-earning assets.
- (6) Calculated by dividing operating expenses (less tax and surcharges) by operating income.
- (7) Calculated by dividing the balance of non-performing loans by total balance of loans and advances to customers.
- (8) Calculated by dividing the balance of provision for impairment on loans by the balance of non-performing loans.
- (9) Calculated by dividing the balance of the provision for impairment on loans by the total balance of loans and advances to customers.
- (10) Core Tier-one capital adequacy ratio, Tier-one capital adequacy ratio and capital adequacy ratio were calculated in accordance with the latest guidance promulgated by the CBIRC (effective from 1 January 2013).
- (11) The deposit-to-loan ratio is calculated by dividing the total balance of loans and advances to customers by total deposits from customers.



CHAIRMAN'S STATEMENT

2020 was an extraordinary year in the development history of Shengjing Bank. Facing the external impact of COVID-19 pandemic and the arduous tasks of reform and development, Shengjing Bank, by focusing on the strategic vision of "building a sound bank", strengthened its confidence, overcame difficulties, and comprehensively promoted its strategic transformation and reform and development, creating a new situation in various aspects of its operations and management. As of 31 December 2020, the total asset of Shengjing Bank amounted to RMB1,037.958 billion, with a total amount of loans and advances issued of RMB547.063 billion, and a total amount of deposits received of RMB681.405 billion, achieving an operating income of RMB16.267 billion.

Focus on returning to the original source and support the development of real economy. In 2020, Shengjing Bank continued to focus on advantageous industries and key industries, allocated credit resources to key areas of economic and social development, actively promoted industrial integration, and provided effective financial support for local economic development. As of the end of 2020, various loans of our bank increased by RMB89.860 billion year on year, representing an increase of 19.7%. At the same time, we actively implemented the policy of assisting enterprises in need, fee reduction and interest concession and extension of repayment of the principal and interest, increased our support for the scale of inclusive small- and micro-sized enterprise loans, provided high-quality small- and micro-sized enterprises with diversified, one-stop financing services, and fully assisted small- and micro-sized enterprises in solving financing problems and fulfilled in practice its market positioning of "serving the local economy, serving the small and micro businesses, as well as serving urban and rural residents".

Deepen customer cultivation and build a solid foundation for business development. In 2020, we insisted on a customer-oriented approach, continued to deepen customer operations and management, and actively expanded customer acquisition channels, so as to achieve new breakthroughs of customer scale. In terms of corporate banking business, we focused on the customer group of "high quality customers in high quality industries and mainstream customers in mainstream industries", optimised the customer structure, and signed strategic cooperation agreements with a number of central enterprises, state-owned enterprises, large private enterprises and other large enterprises, in order to fully enter the mainstream customer market, and constantly enhanced our customer operation capabilities. In terms of retail banking business, we actively built the brand image of citizen banks and the number of retail customers exceeded 20 million, with our customer base being continuously consolidated. Facing the severe challenges brought by the pandemic and the complex and ever-changing internal and external economic environment, our total deposits have maintained steady growth, and the total number of corporate and individual customers have achieved historical breakthroughs, forming a strong development foundation and endogenous driving force.

Improve corporate governance and guarantee sustainable development. In 2020, we successfully completed the general election of the Board of Directors and the Board of Supervisors, and formed a new leadership group with advanced business concepts, good professionalism and rich industrial experience. The responsibilities of the Board of Directors, the Board of Supervisors and the senior management are explicitly allocated, forming a modern corporate governance system in which the strategies, risks, incentives and constraints are managed at the decision-making levels, the daily operations are managed at the management levels, and the Board of Supervisors performs supervisory functions. Shengjing Bank strived to combine the strengthening of Party leadership and the improvement of corporate governance and gave full play to the core role of political leadership of the Party committee, so as to develop an effective governance structure and institutional guarantee to support sustainable development of the business.



CHAIRMAN'S STATEMENT

Strengthen risk management and lay a solid foundation for steady operation. In 2020, we adhered to the “prudent and cautious” risk control strategy and continued to strengthen the construction of a comprehensive risk management system. Through internal selection and external recruitment, we completed the dispatch of risk directors to branches and business lines at the head offices, and achieved the vertical management by risk directors throughout the Bank. We built a unified credit management system with corporate customers as the core, implemented credit risk screening in key areas, promoted forward-looking early warning of risks, and strengthened post-loan management, collateral management and credit file management, with risk management efficiency being continuously improved. In addition, we comprehensively used market-oriented measures and took multiple measures to promote the resolution of problematic assets, resulting in the consolidation of asset quality.

Promote organisational reform and activate the tension of development. In 2020, we continued to deepen the reform of the system and the mechanism, highlighted the incentive orientation of performance-based compensation, set up the marketisation of incentive and restraint mechanism, and made performance-based compensation tilt toward the grassroots, the marketing team and the profit center, so as to fully mobilise the enthusiasm and initiative of all employees. At the same time, we enhanced our execution ability, boosted the morale throughout the Bank, showed the tenacious fighting spirit in winning tough battles, gathered strong joint force to overcome difficulties and forge ahead, interpreted and enriched Shengjing Bank's corporate spirit with practical actions, to release the development momentum unprecedentedly.

“Only by being down-to-earth can we go further, and we are now at the right moment to struggle.” 2021 will embrace the 100th anniversary of the Communist Party of China, and it is also the first year for China to launch the “14th Five-Year Plan” to build a dual-cycle development pattern. I believe that with joint efforts of all Shengjing staff, we will be able to grasp the pulse of the era, pinpoint the fulcrum of reform and innovation, and form a majestic force for the development throughout the Bank, so as to write a new chapter in the high-quality development of Shengjing Bank by virtue of our abundance of righteousness, high spirits and perseverance.

Chairman : QIU Huofa



HONOURS AND AWARDS

Titles of Honour and Award	Awarding Entity
Ranked 143rd in the Top 1000 Global Banks and 25th among Chinese banks by The Banker magazine	The Banker magazine
China's Top 20 Banks in the "World's Best Banks" Ranking List	Forbes
Ranked 224th in the 2020 Top 500 Global Bank Brand Value Ranking List and 36th among Chinese banks	Brand Finance
Ranked 76th in the Top 100 Hong Kong Listed Companies List	Top 100 Hong Kong Listed Companies Research Centre
2020 Tianji Award for Bank Wealth Management Brand	Securities Times
Won the 2020 Excellent Competitive Wealth Management Bank in the 2020 Excellent Competitive Small and Medium Bank Contest	China Business Journal
2020 Best Credit Card Cross-Sector Cooperation Award	UnionPay Data
2020 Value Creator Banks	21st Century Media
2020 China Golden Tripod Award Annual Special Contribution Award for Supporting Local Economic Development	National Business Daily
2020 Outstanding Retail Bank Award, 2020 Outstanding Regional Service Bank Award	Investment Times
Won the "Pioneer Institution of Targeted Poverty Alleviation" in 2020 3rd Excellent Financial Poverty Alleviation Rankings	China Net Finance
"Jin Qiao Award" 2020 Most Valuable Commercial Bank for Investment	Investor Network
Won the "Outstanding Retail Bank" in the 18th China Financial Billboard in 2020	China Finance
Won the "Top Ten City Commercial Bank Retail Banking Award" in 2020 4th China Retail Finance Innovation Practice Award	Retail Bank, Digital Bank and Tencent Cloud
2020 Best User Growth Award	Tencent Daliao.com
"Value Contribution", "Innovative Applications" and "Emergency Management Capabilities" in comprehensive evaluation of Banking Customer Service Center and Remote Banks	China Banking Association



MANAGEMENT DISCUSSION AND ANALYSIS

5.1 ANALYSIS OF OVERALL OPERATIONS

In 2020, the Bank focused on the goal of “building a sound bank”, and adhered to the fundamental policy of “developing the Bank through deposits, compliance as a key foundation of the Bank, developing the Bank through talents, and developing the Bank through technology”. The Bank continued to promote the development of systems, culture and the team, focusing on basic customer service and operating in compliance with laws, with significant optimisation of asset and liability structure. With sound and secure liquidity, enhancement in risk resilience and the comprehensive improvement in brand image and core competitiveness in the market, the Bank realised the coordinated development in quality, scale and efficiency.

(I) Steady growth of assets and liabilities with a trillion RMB foundation

At the end of 2020, the total assets of the Bank amounted to RMB1,037.958 billion, representing an increase of RMB16.478 billion, or 1.6% as compared with that at the beginning of the year. The scale of assets stands at over RMB1 trillion. The total liabilities amounted to RMB957.912 billion, representing an increase of RMB15.553 billion, or 1.7% as compared with that at the beginning of the year. The Bank adhered to a steady and cautious credit supply strategy, resulting in a steady increase in the proportion of high-quality and high-yield assets. The total amount of loans and advances to customers amounted to RMB547.063 billion, representing an increase of RMB89.860 billion, or 19.7% as compared with that at the beginning of the year. The Bank adhered to the concept of “developing the Bank through deposits”, and the core deposits continued to increase. Total deposits from customers amounted to RMB681.405 billion, representing an increase of RMB39.977 billion, or 6.2% as compared with that at the beginning of the year.



(II) Continuous optimisation of business structure and increasing the proportion of core business

In 2020, the Bank adhered to the operational concept of “returning to its roots and focusing on principal businesses”, continuing to increase the proportion revenue from its main business. The loans and advances to customers assets accounted for 52.7% of the Bank’s assets, representing an increase of 7.9 percentage points compared with that at the beginning of the year. Deposits from customers made up a share of 71.1% of our liabilities, representing an increase of 3 percentage points as compared with that at the beginning of the year. The Bank adhered to “avoiding virtual economies and directing towards real economies”. The proportion of interbank business has decreased, with interbank investment and financing accounting for 38.5% of assets, representing a decrease of 7.1 percentage points as compared with that at the beginning of the year and interbank liabilities accounting for 20.4%, representing a decrease of 0.7 percentage points as compared with that at the beginning of the year. As at the end of 2020, the core liabilities ratio of the Bank was 65.2%, representing an increase of 4.8 percentage points as compared with that at the beginning of the year. The stability of the source of bank liabilities has been further increased.

(III) Reshaping the risk management system in an all-round way and continuously improving the ability to resist risks

In 2020, the Bank comprehensively restructured the risk management system, re-examined and refined the risk management policies, systems and procedures to achieve full coverage of the management of chief risk officer, and comprehensively enhanced the independence and effectiveness of risk management. While strictly controlling the credit access, the Bank implemented the credit policy and quota management to continuously optimize the credit structure by focusing on high quality industries and mainstream customers based on local operation. The Bank has also pushed forward the increase in collection and disposal of existing risk assets, actively promoted the orderly exit of the pressure control industry, and continuously consolidated the ability of asset quality and risk resilience to ensure sound performance of various operations.



MANAGEMENT DISCUSSION AND ANALYSIS

5.2 FINANCIAL REVIEW

5.2.1 Analysis of the Income Statement

In 2020, the Bank achieved a net profit of RMB1.232 billion, representing a year-on-year decrease of RMB4.206 billion or 77.3%. It was mainly because in the face of the complexed and severe economic and financial situation during the reporting period, especially the impact of COVID-19, the Bank actively responded to the call of the national policy and took the initiative to boost the real economy, adopting various measures to assist businesses through this difficult period, such as interest concessions by the ways of costs reduction, fee reduction and interest concession, deferred debt and interest payment. At the same time, the Bank strengthened the initiative and foresight of risk management, fully considered the impact of the COVID-19, strictly and prudently carried out asset classification management and strengthened the provision.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020	2019	Change in amount	Rate of change (%)
Interest income	42,533,959	44,944,020	(2,410,061)	(5.4)
Interest expense	(27,975,598)	(28,594,168)	618,570	(2.2)
Net interest income	14,558,361	16,349,852	(1,791,491)	(11.0)
Net fee and commission income	688,878	1,155,436	(466,558)	(40.4)
Net trading losses	(732,922)	(838,806)	105,884	N/A
Net gains arising from investments	1,592,197	4,314,076	(2,721,879)	(63.1)
Other operating income	160,299	26,709	133,590	500.2
Operating income	16,266,813	21,007,267	(4,740,454)	(22.6)
Operating expenses	(5,050,086)	(4,631,365)	(418,721)	9.0
Impairment losses on assets	(10,625,363)	(10,233,200)	(392,163)	3.8
Profit before taxation	591,364	6,142,702	(5,551,338)	(90.4)
Income tax expense	640,577	(704,641)	1,345,218	N/A
Net profit	1,231,941	5,438,061	(4,206,210)	(77.3)



5.2.1.1 Operating income

In 2020, the repayment ability of some enterprises was reduced in the face of the impact of COVID-19. The Bank actively supported enterprises to resume production and recovery of the economy by implementing fee reduction, deferred repayment of principal and interest and relief plan benefiting enterprises. At the same time, under the decrease in net income of financial investment caused by market fluctuations, the Bank achieved an operating income of RMB16.267 billion, representing a year-on-year decrease of RMB4.740 billion or 22.6%.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020	Proportion (%)	2019	Proportion (%)
Net interest income	14,558,361	89.5	16,349,852	77.8
Net non-interest income	1,708,452	10.5	4,657,415	22.2
Operating income	16,266,813	100.0	21,007,267	100.0

5.2.1.2 Net interest income

In 2020, the Bank achieved a net interest income of RMB14.558 billion, representing a year-on-year decrease of RMB1.791 billion, or 11.0%, mainly due to the year-on-year decrease in interest income by RMB2.410 billion and year-on-year-decrease in interest expense of the Bank by RMB0.619 billion. The following table sets forth the interest income, interest expense and net interest income of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020	2019	Change in amount	Rate of change (%)
Interest income	42,533,959	44,944,020	(2,410,061)	(5.4)
Interest expense	(27,975,598)	(28,594,168)	618,570	(2.2)
Net interest income	14,558,361	16,349,852	(1,791,491)	(11.0)



MANAGEMENT DISCUSSION AND ANALYSIS

5.2.1.3 Net interest spread and net interest margin

In 2020, the Bank actively implemented the national policy of fee reduction and interest concession, earnestly fulfilled its social responsibility. While increasing support for the real economy and reducing the financing cost of the real economy, the Bank accelerated business adjustments and effectively controlled the cost of debt. Affected by the downward trend of the quoted interest rate in the loan market and the loose funds in the money market, the rate of return on interest-bearing assets decreased slightly more than the rate of cost of interest-bearing liabilities. In 2020, the net interest spread of the Bank was 1.55%, representing a year-on-year decrease of 0.04 percentage point; the net interest margin was 1.62%, representing a year-on-year decrease of 0.14 percentage point.

The following table sets forth the average balances of interest-earning assets and interest-bearing liabilities, the related interest income or expense, and the related average yields on interest-earning assets or the related average costs of interest bearing liabilities for the periods indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at the end of 31 December 2020			As at the end of 31 December 2019		
	Average balances	Interest income/expense	Average yield/cost (%)	Average balances	Interest income/expense	Average yield/cost (%)
Interest-earning assets						
Loans and advances to customers	497,806,068	29,269,709	5.88	424,696,934	25,947,045	6.11
Financial investments	308,296,765	11,955,537	3.88	408,451,587	17,234,015	4.22
Deposits with Central Bank	72,338,849	1,061,137	1.47	72,199,458	1,083,993	1.50
Deposits and placements with bank and other financial institutions	7,891,281	83,130	1.05	18,306,306	553,221	3.02
Financial assets held under resale agreements	10,984,832	164,446	1.50	5,446,245	125,746	2.31
Total interest-earning assets	897,317,795	42,533,959	4.74	929,100,530	44,944,020	4.84



(Expressed in thousands of Renminbi, unless otherwise stated)	As at the end of 31 December 2020			As at the end of 31 December 2019		
	Average balances	Interest income/expense	Average yield/cost (%)	Average balances	Interest income/expense	Average yield/cost (%)
Interest-bearing liabilities						
Borrowings from Central Bank	5,564,261	180,385	3.24	12,049,068	399,492	3.32
Deposits from customers	606,900,012	18,880,431	3.11	543,529,245	16,598,442	3.05
Deposits and placements with bank and other financial institutions	99,689,737	3,666,432	3.68	122,794,975	4,654,837	3.79
Financial assets sold under repurchase agreements	92,562,329	2,407,376	2.60	56,911,217	1,588,126	2.79
Debt securities issued	71,307,489	2,840,974	3.98	145,375,004	5,353,271	3.68
Total interest-bearing liabilities	876,023,828	27,975,598	3.19	880,659,509	28,594,168	3.25
Net interest income	14,558,361			16,349,852		
Net interest spread ⁽¹⁾		1.55				1.59
Net interest margin ⁽²⁾		1.62				1.76

Notes:

- (1) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (2) Calculated by dividing net interest income by average balance of total interest-earning assets on annualised basis.



MANAGEMENT DISCUSSION AND ANALYSIS

The following table sets forth the changes in the Bank's interest income and interest expense due to changes in volume and rates for the periods indicated. Volume and rate variances have been measured based on movements in average balances over these periods, and changes in interest rates have been measured based on daily average interest-earning assets and interest-bearing liabilities. Variances caused by changes in both volume and interest rate have been allocated to changes in interest rate.

	For the year ended 31 December 2020 compared with 2019		
	Increase/ (decrease) Volume ⁽¹⁾	Due to Rate ⁽²⁾	Net increase/ (decrease) ⁽³⁾
Interest-earning assets			
Loans and advances to customers	4,466,968	(1,144,304)	3,322,664
Financial investments	(4,226,533)	(1,051,945)	(5,278,478)
Deposits with Central Bank	2,091	(24,947)	(22,856)
Deposits and placements with bank and other financial institutions	(314,534)	(155,557)	(470,091)
Financial assets held under resale agreements	127,941	(89,241)	38,700
Changes in net interest income	55,933	(2,465,994)	(2,410,061)
Interest-bearing liabilities			
Borrowings from Central Bank	(215,296)	(3,811)	(219,107)
Deposits from customers	1,932,808	349,181	2,281,989
Deposits and placements with bank and other financial institutions	(875,689)	(112,716)	(988,405)
Financial assets sold under repurchase agreements	994,666	(175,416)	819,250
Debt securities issued	(2,725,685)	213,388	(2,512,297)
Changes in interest income expense	(889,196)	270,626	(618,570)
Changes in net interest income	945,129	(2,736,620)	(1,791,491)

Notes:

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



5.2.1.4 Interest income

In 2020, the Bank achieved an interest income of RMB42.534 billion, representing a year-on-year decrease of RMB2.410 billion or 5.4%, mainly due to the Bank's acceleration of strategic transformation and business layout adjustment in line with the changing economic situation, the decline in the scale of interbank financial investment, and the overall decline in the rate of return on financial investment due to the loose monetary policy.

The following table sets forth the breakdown of the interest income of the Bank for the periods indicated:

Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020 Amount	of total (%)	2019 Amount	of total (%)
Loans and advances to customers				
Corporate loans (including discounted bills)	24,950,910	58.6	23,363,526	52.0
Personal loans	4,318,799	10.2	2,583,519	5.7
Sub-total	29,269,709	68.8	25,947,045	57.7
Financial investments	11,955,537	28.1	17,234,015	38.3
Deposits with Central Bank	1,061,137	2.5	1,083,993	2.4
Deposits with banks and other financial institutions	83,130	0.2	553,221	1.3
Financial assets held under resale agreements	164,446	0.4	125,746	0.3
Total	42,533,959	100.0	44,944,020	100.0



MANAGEMENT DISCUSSION AND ANALYSIS

1. Interest Income from Loans and Advances to Customers

Interest income from loans and advances to customers was the essential component of the Bank's interest income. In 2020, interest income of the Bank from loans and advances to customers amounted to RMB29.270 billion, representing a year-on-year increase of RMB3.323 billion or 12.8%, and accounted for 68.8 % of the total interest income, representing an increase of 11.1 percentage points, which was mainly due to the fact that under the background of accelerating the process of interest rate marketisation reform and increasing downward pressure on LPR interest rate, the Bank accelerated its efforts to keep up with national macroeconomic, industrial and regional policies, and continuously optimised the management and service of strategic customers, institutional customers, group customers and wealth customers, deepen cultivation the regional economy, focused on advantageous industries, and steadily promoted the development of credit business on the premise of controllable risks, especially, strengthened the support of retail credit resources and pricing management, so as to drive the steady growth of interest income from loans and advances.

The following table sets forth the average balances of the loans and advances to customers and the average yields of related interest income and loans and advances to customers for the years indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December					
	2020			2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loans (including discounted bills)	433,419,866	24,950,910	5.76	384,107,802	23,363,526	6.08
Personal loans	64,386,202	4,318,799	6.71	40,589,132	2,583,519	6.37
Total	497,806,068	29,269,709	5.88	424,696,934	25,947,045	6.11

2. Interest Income from Financial Investments

In 2020, interest income of the Bank from financial investments amounted to RMB11.956 billion, representing a year-on-year decrease of RMB5.278 billion or 30.6%, which was mainly due to the Bank's strong support for the development of the real economy and further optimisation of the asset structure, resulting in a significant year-on-year decrease in the average balance of financial investments. At the same time, affected by the downward trend of market interest rate, the average rate of return of financial investment decreased.



3. *Interest Income from Deposits with Central Bank*

In 2020, interest income of the Bank from deposits with Central Bank amounted to RMB1.061 billion, representing a year-on-year decrease of RMB23 million or 2.1%, which was mainly due to the decline in the average yield of the deposits with Central Bank.

4. *Interest Income from Deposits and placements with Banks and Other Financial Institutions*

In 2020, interest income of the Bank from deposits and placements with banks and other financial institutions amounted to RMB83 million, representing a year-on-year decrease of RMB0.470 billion or 85.0%, which was mainly due to the Bank's compression of interbank asset allocation in accordance with regulatory policy guidance, the decrease in average balance of deposits and balance yield of deposits and placements with bank and other financial institutions, and the decline of average return on interbank assets due to loose monetary policy during the reporting period.

5. *Interest Income from Financial Assets Held under Resale Agreements*

In 2020, interest income of the Bank from financial assets held under resale agreements amounted to RMB164 million, representing a year-on-year increase of RMB39 million or 30.8%, which was mainly due to the increase in the average balance of financial assets sold under repurchase agreements.

5.2.1.5 *Interest expense*

In 2020, interest expense of the Bank amounted to RMB27.976 billion, representing a year-on-year decrease of RMB0.619 billion or 2.2%, which was mainly due to the optimisation of structure of interest-bearing liabilities and decrease in the average cost of interest-bearing liabilities. The following table sets forth the principal components of the interest expense of the Bank for the periods indicated:

	For the year ended 31 December			
	2020		2019	
(Expressed in thousands of Renminbi, unless otherwise stated)	Amount	of total %	Amount	of total %
Borrowings from Central Bank	180,385	0.6	399,492	1.4
Deposits from customers	18,880,431	67.5	16,598,442	58.0
Deposits and placements with bank and other financial institutions	3,666,432	13.1	4,654,837	16.3
Financial assets sold under repurchase agreements	2,407,376	8.6	1,588,126	5.6
Debt securities issued	2,840,974	10.2	5,353,271	18.7
Total	27,975,598	100.0	28,594,168	100.0



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1. Interest Expense on Deposits from customers

In 2020, interest expense on deposits from customers amounted to RMB18.880 billion, representing a year-on-year increase of RMB2.282 billion, or 13.7%, which was due to the Bank's adherence to the basic banking policy of "taking deposits as the key foundation of the Bank", paying close attention to customer group construction and channel layout, continuously enriching product types, strengthening the efforts to increase and stabilize deposits, and the increase in the average daily scale of deposits from customers.

The following table sets forth the average balance, interest expense and average cost for each of the components of the Bank's deposits from customers:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December 2020			For the year ended 31 December 2019		
	Average balance	Interest expense	Average cost (%)	Average balance	Interest expense	Average cost (%)
Corporate deposits						
Demand	144,185,394	1,478,774	1.03	151,041,818	1,504,207	1.00
Time	180,791,076	6,716,083	3.71	216,055,119	8,738,125	4.04
Sub-total	324,976,470	8,194,857	2.52	367,096,937	10,242,332	2.79
Personal deposits						
Demand	23,912,818	95,596	0.40	18,211,057	73,249	0.40
Time	258,010,724	10,589,978	4.10	158,221,251	6,282,861	3.97
Sub-total	281,923,542	10,685,574	3.79	176,432,308	6,356,110	3.60
Total deposits from customers	606,900,012	18,880,431	3.11	543,529,245	16,598,442	3.05

2. Interest Expense on Deposits and Placements from Banks and Other Financial Institutions

In 2020, interest expense of the Bank on deposits and placements from banks and other financial institutions amounted to RMB3.666 billion, representing a year-on-year decrease of RMB0.988 billion or 21.2%, which was due to the Bank continually optimised its debt structure, and resulted in decreased average balance of deposits and placements from banks and other financial institutions and the cost of capital.



3. *Interest Expense on Financial Assets Sold under Repurchase Agreements*

In 2020, interest expense of the Bank on financial assets sold under repurchase agreements amounted to RMB2.407 billion, representing a year-on-year increase of RMB0.819 billion or 51.6%, which was due to the increase in the average balance of the repurchased financial disposed.

4. *Interest Expense on Debt Securities Issued*

In 2020, interest expense of the Bank on debt securities issued amounted to RMB2.841 billion, representing a year-on-year decrease of RMB2.512 billion or 46.9%, which was due to the decrease in the average balance for the issuance of bonds.

5.2.1.6 *Net Non-interest Income*

1. *Net Fee and Commission Income*

In 2020, the Bank achieved a net fee and commission income of RMB0.689 billion, representing a year-on-year decrease of RMB0.467 billion or 40.4%, mainly due to the Bank's upgrading of service scenario mode, the active expansion of customer acquisition channels, and the year-on-year increase of fee and commission expense.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020	2019	Change in amount	Rate of change (%)
Fee and commission income				
Agency and custody services fees	1,342,412	1,029,332	313,080	30.4
Settlement and clearing services fees	78,955	288,685	(209,730)	(72.7)
Bank card services fees	152,851	107,267	45,584	42.5
Fee and commission expense	(885,340)	(269,848)	(615,492)	228.1
Net fee and commission income	688,878	1,155,436	(466,558)	(40.4)



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2. Net Trading Loss

In 2020, net trading loss of the Bank amounted to RMB0.733 billion, representing a year-on-year decrease of RMB106 million, mainly due to the changes in the fair value of derivative financial instruments and foreign exchange fluctuations..

3. Net Gains Arising from Investments

In 2020, the net gains arising from financial investments of the Bank amounted to RMB1.592 billion, representing a year-on-year decrease of RMB2.722 billion or 63.1%, which is mainly due to the fact that in 2019, according to the market trend, the Bank took the opportunity to dispose of certain bonds and achieved a higher net income from bond trading; since the second quarter of 2020, with the effective control on the pandemic, the certainty of economic recovery has been enhanced, the market risk aversion has eased, the fluctuation of the bond market has declined, and the Bank's bond spread income have decreased year on year.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020	2019	Change in amount	Rate of change (%)
Net gains on financial assets at fair value through profit and loss for the period	1,471,685	2,481,332	(1,009,647)	(40.7)
Net gains on disposal of financial assets at fair value through other comprehensive income	45,247	1,103,026	(1,057,779)	(95.9)
Dividends from financial assets designated at fair value through other comprehensive income	1,440	1,200	240	20.0
Net gains on disposal of financial assets at amortised cost	73,825	728,518	(654,693)	(89.9)
Total	1,592,197	4,314,076	(2,721,879)	(63.1)



5.2.1.7 Operating expenses

In 2020, the operating expenses of the Bank amounted to RMB5.050 billion, representing a year-on-year increase of RMB419 million or 9.0%, and the cost-to-income ratio was 29.76%, representing a year-on-year increase of 8.45 percentage points. During the reporting period, the Bank implemented the basic policy of “developing the Bank through talents”, increased the introduction and selection of talents, improved the market-oriented salary incentive and restraint mechanism, and the staff compensation cost increased year-on-year. Meanwhile, the Bank further strengthened budget management and input-output management and control, allocated operation resources efficiently and intensively, and the rent, property management fees and other general and administrative expenses decreased year-on-year.

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020	2019	Change in amount	Rate of change (%)
Staff costs	2,832,340	2,461,457	370,883	15.1
Tax and surcharges	209,870	155,402	54,468	35.0
Depreciation and amortisation	612,756	593,698	19,058	3.2
Rental and property management expenses	113,692	115,723	(2,031)	(1.8)
Office expenses	356,101	329,098	27,003	8.2
Other general and administrative expenses	925,327	975,987	(50,660)	(5.2)
Total operating expenses	5,050,086	4,631,365	418,721	9.0

1. Staff Costs

In 2020, staff costs of the Bank amounted to RMB2.832 billion, representing a year-on-year increase of RMB0.371 billion or 15.1%, mainly due to an increase in the number of employees after the Bank's introduction of talents through multi-channel and dimensions in response to business development needs. At the same time, the Bank's continuously optimised its remuneration management system, with a year-on-year increase in wages, bonuses and allowances.



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The following table sets forth the principal components of the staff costs of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020	2019	Change in amount	Rate of change (%)
Salaries, bonuses and allowances	2,327,877	1,806,094	521,783	28.9
Pension and annuity	36,937	230,456	(193,519)	(84.0)
Other social insurance	192,900	179,759	13,141	7.3
Housing allowances	127,978	103,194	24,784	24.0
Supplementary retirement benefits	6,339	13,440	(7,101)	(52.8)
Other staff benefits	140,309	128,514	11,795	9.2
Total staff costs	2,832,340	2,461,457	370,883	15.1

2. Office Expenses, Rental and Property Management Expenses

In 2020, the Bank's office expenses, rental and property management expenses were RMB470 million, representing a year-on-year increase of RMB25 million or 5.6%. The office expenses, rental and property management expenses mainly include office supplies, property rents, maintenance fees for electronic devices, security fees, conference fees, postal, telecom and printing fees.

3. Depreciation and Amortisation

In 2020, depreciation and amortisation expenses of the Bank amounted to RMB613 million, representing a year-on-year increase of RMB19 million or 3.2%, mainly due to the Bank's promotion of digital banking transformation, continuous increase in financial technology investment and increase in related depreciation and amortization expenses.

4. Other General and Administrative Expenses

In 2020, other general and administrative expenses of the Bank amounted to RMB925 million, representing a year-on-year decrease of RMB51 million or 5.2%.



5.2.1.8 Impairment losses on assets

In 2020, impairment losses on assets of the Bank amounted to RMB10.625 billion, representing a year-on-year increase of RMB0.392 billion or 3.8%, mainly due to the fact that the Bank took full account of the uncertainty of the macro environment and the impact of COVID-19 on enterprise operation and asset quality and strengthened the provision for impairment of assets in accordance with the principle of prudent operation. The following table sets forth the principal components of impairment losses on assets of the Bank for the periods indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	For the year ended 31 December			
	2020	2019	Change in amount	Rate of change (%)
Deposits and placements with bank and other financial institutions	516,665	118,615	398,050	335.6
Financial assets held under resale agreements	(902)	3,439	(4,341)	(126.2)
Loans and advances to customers	8,328,608	10,388,934	(2,060,326)	(19.8)
Financial investments	2,029,066	(376,485)	2,405,551	N/A
Credit commitment	(239,829)	73,386	(313,215)	(426.8)
Others	(8,245)	25,311	(33,556)	(132.6)
Total	10,625,363	10,233,200	392,163	3.8

5.2.1.9 Income tax expense

In 2020, income tax expense of the Bank amounted to RMB-641 million, which is mainly caused by the tax implications of the deductible temporary difference, recognised deferred tax assets, and tax-free income of the Bank formed during the reporting period.



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5.2.2 Analysis of the Statement of Financial Position

5.2.2.1 Assets

As at 31 December 2020, total assets of the Bank were RMB1,037.958 billion, representing an increase of RMB16.478 billion or 1.6% as compared with that at the end of the previous year, mainly due to the increase in loans and advances to customers. The principal components of our assets are (i) net loans and advances to customers, (ii) financial investments, (iii) cash and deposits with Central Bank and (iv) financial assets held under resale agreements which accounted for 51.5%, 34.5%, 7.6% and 2.1%, respectively, of total assets of the Bank as at 31 December 2020.

The following table sets forth the balances of principal components of total assets of the Bank as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	of total %	Amount	of total %
Assets				
Total loans and advances to customers				
Interest receivable	547,062,557	52.7	457,202,375	44.8
Interest receivable	7,960,458	0.8	2,052,316	0.2
Provision for impairment	(20,335,788)	(2.0)	(12,879,170)	(1.3)
Net loans and advances to customers				
Financial investments	534,687,227	51.5	446,375,521	43.7
Financial investments ⁽¹⁾	358,044,952	34.5	417,492,192	40.9
Deposits with banks and other financial institutions	15,194,344	1.5	21,104,213	2.1
Cash and deposits with Central Bank	78,505,916	7.6	90,533,151	8.9
Financial assets held under resale agreements	22,119,345	2.1	18,713,438	1.8
Placements with banks and other financial institutions	4,350,087	0.4	8,198,954	0.8
Derivative financial assets	1,104,872	0.1	3,379,675	0.3
Other assets ⁽²⁾	23,951,632	2.3	15,683,652	1.5
Total assets	1,037,958,375	100.0	1,021,480,796	100.0

Notes:

- (1) Financial investments include financial assets at fair value through other comprehensive income, financial assets at amortised cost and other financial investments at fair value through profit or loss.
- (2) Includes property and equipment, other receivables, deferred income tax assets and other assets.



1. Loans and Advances to Customers

The total loans and advances to customers made by the Bank as at 31 December 2020 amounted to RMB547.063 billion with an increase of RMB89.860 billion or 19.7% as compared with that at the end of last year, and accounted for 52.7% of the total assets, representing an increase of 7.9 percentage points as compared to the end of last year. The loans and advances to customers made by the Bank consisted mainly of corporate loans (including discounted bills) and personal loans.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	of total (%)	Amount	of total (%)
Corporate loans				
— Corporate loans	431,200,966	78.8	374,201,172	81.8
— Discounted bills	38,403,424	7.0	25,488,939	5.6
Personal loans				
— Residential mortgage	48,276,811	8.8	36,041,189	7.9
— Personal consumption loans	20,672,637	3.8	17,297,007	3.8
— Credit cards	6,572,422	1.2	3,568,235	0.8
— Personal business loans	1,920,977	0.4	587,963	0.1
— Others	15,320	0.0	17,870	0.0
Total loans and advances to customers	547,062,557	100.0	457,202,375	100.0

Corporate loans constituted the largest component of the Bank's loan portfolio. As at 31 December 2020, the corporate loans (including discounted bills) of the Bank amounted to RMB469.604 billion, representing an increase of RMB69.914 billion or 17.5% as compared to the end of last year and accounting for 85.8% of the total loans and advances to customers, mainly due to the fact that the Bank accurately grasped the change of economic situation and the direction of national policy adjustment, focused on advantageous industries, expanded the mainstream customer group, and created a professional, standardized, and large-scale corporate banking operation system by establishing a classified and hierarchical customer management system, so as to promote the high-quality development of corporate loans.



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Personal loans offered by the Bank mainly include residential mortgage, personal consumption loans, credit cards and personal business loans. As at 31 December 2020, personal loans of the Bank amounted to RMB77.458 billion with an increase of RMB19.946 billion or 34.7% as compared with the end of last year, and accounted for 14.2% of total loans and advances to customers, representing an increase of 1.6 percentage points, mainly due to the Bank sped up to transfer the transformation of retail banking, actively expanded the high-quality retail customer base, promoted the optimization and upgrading of channels and services by vigorously strengthening the construction of user scenarios, created an online + offline channel platform, and comprehensively improved the comprehensive management ability of retail banking.

1) Loans by collateral

The structure of collaterals of the Bank's loans and advances to customers was stable and the Bank's capability of mitigating risks was relatively solid. As at 31 December 2020, the balance of loans mortgaged or secured by guarantees and was RMB500.083 billion, representing an increase of RMB63.808 billion or 14.6% as compared with that at the end of the previous year, and accounted for 91.4% of the total loans and advances to customers. If a loan is secured by more than one form of collateral, the entire amount of such a loan is allocated to the category representing the primary form of collateral. The following table sets forth the distribution of loans and advances to customers by collateral type as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	of total (%)	Amount	of total (%)
Loans secured by mortgages	215,899,526	39.4	182,487,244	39.8
Loans secured by pledges	80,836,779	14.8	73,889,168	16.2
Guaranteed loans	203,346,408	37.2	179,898,160	39.4
Unsecured loans	46,979,844	8.6	20,927,803	4.6
Total loans and advances to customers	547,062,557	100.0	457,202,375	100.0

2) Changes in provision for impairment on loans and advances to customers

As at 31 December 2020, the balance of provision for impairment on loans and advances to customers was RMB20.336 billion, representing an increase of RMB7.457 billion or 57.9% as compared with that at the end of the previous year, mainly due to mainly due to the fact that the Bank adhering to the principle of prudent and stable risk management. On the basis of fully considering the impact of the downward pressure on the economy and the impact of the pandemic, the Company strictly followed the accounting standards and relevant regulatory requirements and increased the level of impairment provision of loans.



The following table sets forth the changes in the provision for impairment on loans and advances to customers for the periods indicated:

	As at 31 December 2020				As at 31 December 2019			
	Expected credit loss over the next 12 months	Lifetime expected credit loss- not credit impaired loans	Lifetime expected credit loss- credit impaired loans	Total	Expected credit loss over the next 12 months	Lifetime expected credit loss- not credit impaired loans	Lifetime expected credit loss- credit impaired loans	Total
(Expressed in thousands of Renminbi, unless otherwise stated)								
Balance as at the beginning of the year	5,480,833	1,429,810	5,968,527	12,879,170	3,640,867	1,200,134	5,517,585	10,358,586
Transferred to:								
– to expected credit loss over the next 12 months	799,080	(224,525)	(574,555)	–	7,289	(449)	(6,840)	–
– to lifetime expected credit losses – not credit-impaired loans	(145,603)	147,993	(2,390)	–	(27,845)	27,986	(141)	–
– to lifetime expected credit losses – credit-impaired loans	(41,354)	(284,438)	325,792	–	(70,228)	(158,886)	229,114	–
Net charge for the year	1,244,813	5,918,270	956,425	8,119,508	1,930,750	361,025	8,090,170	10,381,945
Transfer out	–	–	(293,502)	(293,502)	–	–	(8,203,540)	(8,203,540)
Unwinding of discount	–	–	(427,236)	(427,236)	–	–	(15,046)	(15,046)
Recoveries	–	–	57,848	57,848	–	–	357,225	357,225
Balance as at the end of the year	<u>7,337,769</u>	<u>6,987,110</u>	<u>6,010,909</u>	<u>20,335,788</u>	<u>5,480,833</u>	<u>1,429,810</u>	<u>5,968,527</u>	<u>12,879,170</u>



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2. Financial Investments

As of 31 December 2020, the financial investments (including financial assets at fair value through other comprehensive income, financial assets at amortised cost, other financial assets at fair value through profit or loss) of the Bank amounted to RMB358.045 billion, representing a decrease of RMB59.447 billion or 14.2% as compared with those of the end of the previous year, and accounted for 34.5% of the total assets, representing an decrease of 6.4 percentage points as compared with that at the end of the previous year. The following table set forth the main components of the Bank's financial investments (exclusive of interest receivable) as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	of total (%)	Amount	of total (%)
Financial assets at fair value through profit or loss				
– Bonds issued by policy banks	100,939,472	28.6	156,691,876	37.8
– Bonds issued by other banks and financial institutions	588,420	0.2	383,136	0.1
– Corporate entity bonds	38,256,944	10.8	39,179,506	9.4
– Investment management products managed by securities companies	1,090,297	0.3	1,030,961	0.2
– Investment management products under the trust scheme	60,710,215	17.2	116,098,273	28.1
	293,596	0.1	–	–
Financial assets at fair value through other				
– Government bonds	27,401,326	7.7	32,964,176	8.0
– Bonds issued by policy banks	12,029,935	3.4	9,889,376	2.4
– Bonds issued by other banks and financial institutions	7,428,435	2.1	15,548,565	3.8
– Corporate entity bonds	1,849,715	0.5	1,415,436	0.3
– Investment management products managed by securities companies	1,837,108	0.5	685,278	0.2
– Equity investments	–	–	1,107,105	0.3
	4,256,133	1.2	4,318,416	1.0



(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	of total (%)	Amount	of total (%)
Financial assets at amortised cost	225,501,568	63.7	224,222,731	54.2
– Government bonds	66,643,142	18.8	58,487,011	14.1
– Bonds issued by policy banks	77,422,643	21.9	72,871,086	17.6
– Bonds issued by other banks and financial institutions	200,000	0.1	–	–
– Corporate entity bonds	1,821,623	0.5	3,342,022	0.8
– Investment management products managed by securities companies	4,558,243	1.3	14,771,585	3.6
– Investment management products under the trust scheme	78,269,005	22.1	76,775,572	18.6
Less: provisions for financial assets at amortised cost	(3,413,088)	(1.0)	(2,024,545)	(0.5)
Total	353,842,366	100.0	413,878,783	100.0



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1) Changes in the provision for financial assets at fair value through other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020				As at 31 December 2019			
	Expected credit loss over the next 12 months	Lifetime expected credit loss- not credit impaired	Lifetime expected credit loss- credit impaired	Total	Expected credit loss over the next 12 months	Lifetime expected credit loss- not credit impaired	Lifetime expected credit loss- credit impaired	Total
Balance at the beginning of the year	2,336	–	–	2,336	5,453	–	–	5,453
Net release for the year	(1,317)	–	641,840	640,523	(3,117)	–	–	(3,117)
Balance as at the end of the year	1,019	–	641,840	642,859	2,336	–	–	2,336

2) Changes in the provision for financial assets at amortised cost

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020				As at 31 December 2019			
	Expected credit loss over	Lifetime expected credit loss- not credit impaired	Lifetime expected credit loss- credit impaired	Total	Expected credit loss over	Lifetime expected credit loss- not credit impaired	Lifetime expected credit loss- not credit impaired	Total
Balance at the beginning of the year	828,138	165,454	1,030,953	2,024,545	1,322,900	785,637	289,376	2,397,913
Transferred to:								
– to expected credit losses over the next 12 months	–	–	–	–	–	–	–	–
– to lifetime expected credit losses – credit impaired Investments	(27,132)	–	27,132	–	(59,881)	(6,717)	66,598	–
Net (release)/charge for the year	839,192	(13,878)	563,229	1,388,543	(434,881)	(613,466)	674,979	(373,368)
Balance as at the end of the year	1,640,198	151,576	1,621,314	3,413,088	828,138	165,454	1,030,953	2,024,545



5.2.2.2 Liabilities

As of 31 December 2020, total liabilities of the Bank amounted to RMB957.912 billion, representing an increase of RMB15.553 billion or 1.7% as compared with that at the end of the previous year. The Bank's liabilities mainly consisted of (i) deposits from customers; (ii) deposits from banks and other financial institutions; and (iii) financial assets sold under repurchase agreements, accounting for 72.8%, 9.5% and 9.4%, respectively, with respect to the total liabilities.

The following table sets forth the components of the Bank's total liabilities as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	of total (%)	Amount	of total (%)
Borrowings from Central Bank	2,815,363	0.3	6,793,977	0.7
Deposits from customers	697,363,902	72.8	655,070,994	69.5
Deposits from banks and other financial institutions	90,792,706	9.5	96,837,332	10.3
Placements from banks and other financial institutions	4,984,505	0.5	6,589,301	0.7
Financial liabilities at fair value through profit or loss	20,959,959	2.2	26,520,878	2.8
Derivative financial liabilities	768,469	0.1	694,473	0.1
Financial assets sold under repurchase agreements	89,672,253	9.4	60,117,133	6.4
Debt securities issued	45,262,637	4.7	80,993,054	8.6
Other liabilities ⁽¹⁾	5,292,032	0.5	8,741,669	0.9
Total	957,911,826	100.0	942,358,811	100.0

Note:

- (1) Including amounts in settlement accounts, staff remuneration payable, deferred income, tax payable, amounts in dormant accounts and other liabilities.



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1. Deposits from Customers

As of 31 December 2020, the Bank's total deposits from customers (exclusive of interest payable) amounted to RMB681.405 billion, with an increase of RMB39.977 billion or 6.2% as compared with the number recorded at the end of the previous year. The total deposits from customers (excluding interest payable) accounted for 71.1% of the total liabilities, representing an increase of 3.0 percentage points as compared with that at the end of the previous year. The individual deposits increased by RMB145.804 billion compared with that at the end of the previous year, mainly due to the Bank's firm adherence to the basic policy of "developing the Bank through deposits", through perfecting the management structure for mass consumers and wealth customers accelerating product innovation and R&D projects, strengthening sector synergy and linkage, and forming the synergy of products, marketing and services, and facilitating the sustained and rapid growth of retail deposits through multiple channels and products. The deposits from customers decreased RMB97.271 billion as compared with the number recorded at the end of the previous year, mainly due to that the Bank adjusted its deposit strategy, actively promoted the optimization of customer structure, actively reduced some high-cost and inefficient deposits, continuously improved the stickiness of quality customers, continuously enhanced the stability of corporate deposits, and effectively consolidated the corporate deposit base. The following table sets forth the Bank's deposits from customers (exclusive of interest payable) and product types as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	of total (%)	Amount	of total (%)
Corporate deposits				
Demand deposits	141,808,350	20.8	190,952,618	29.8
Time deposits	148,980,109	21.9	197,106,655	30.7
Sub-total	290,788,459	42.7	388,059,273	60.5
Personal deposits				
Demand deposits	24,304,387	3.6	37,732,968	5.9
Time deposits	333,600,481	48.9	174,367,690	27.2
Sub-total	357,904,868	52.5	212,100,658	33.1
Other deposits ⁽¹⁾	32,711,420	4.8	41,268,260	6.4
Total	681,404,747	100.0	641,428,191	100.0

Note:

(1) Mainly including pledged deposits.



2. Debt Securities Issued

The following table sets forth the components of the Bank's debt securities issued (exclusive of interest payable) as at the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020 Amount	As at 31 December 2019 Amount
Tier-two capital bond with fixed rate maturing in December 2025	–	10,000,000
Tier-two capital bond with fixed rate maturing in December 2027	6,000,000	6,000,000
Financial fixed rate bonds maturing in August 2021	2,000,000	2,000,000
Financial fixed rate bonds maturing in August 2021	12,000,000	12,000,000
Financial fixed rate bonds maturing in October 2021	8,000,000	8,000,000
Financial fixed rate bonds maturing in November 2021	6,900,000	6,900,000
Interbank certificates of deposits issued	10,022,558	35,728,767
Total	44,922,558	80,628,767

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB10.0 billion in the national inter-bank bond market on 4 December 2015. The term of maturity of such bonds is 10 years. The interest rate is calculated based on fixed interest rate per annum. The coupon rate is interest-bearing fixed rate of 4.57%. Interest on such bonds shall be paid once per year. The bonds have no redemption option of the issuer. The Bank exercised the redemption option of the issuer on 8 December 2020 to redeem the current bond in a lump sum at a whole per the face value.

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB6.0 billion in the national inter-bank bond market on 18 December 2017. The term of maturity of such bonds is 10 years. The interest rate is calculated based on fixed interest rate per annum. The coupon rate is interest-bearing fixed rate of 4.90%. Interest on such bonds shall be paid once per year. Upon approval by the CBIRC, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds.

The Bank issued 2016 financial fixed rate bonds in the aggregate of RMB2.0 billion on 26 August 2016 with a term of maturity of 5 years and an annual coupon rate of 3.10%.

The Bank issued the first tranche of 2018 fixed-rate financial bonds in the aggregate of RMB12 billion on 15 August 2018 with a term of maturity of 3 years and an annual coupon rate of 4.35%.

The Bank issued the second tranche of 2018 fixed-rate financial bonds in the aggregate of RMB8 billion on 25 October 2018 with a term of maturity of 3 years and an annual coupon rate of 4.10%.

The Bank issued the third tranche of 2018 fixed-rate financial bonds in the aggregate of RMB6.9 billion on 26 November 2018 with a term of maturity of 3 years and an annual coupon rate of 3.98%.

As at 31 December 2020, the balance of certificates of interbank deposit issued by the Bank was RMB10.023 billion.



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5.2.2.3 Equity

As of 31 December 2020, the equity balance of the Bank amounted to RMB80.047 billion, representing an increase of RMB0.925 billion or 1.2% as compared with that at the end of the previous year. The following table sets forth the components of the equity of the Bank as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	of total (%)	Amount	of total (%)
Share capital	8,796,680	11.0	8,796,680	11.1
Capital reserve	26,931,360	33.6	26,931,360	34.0
Surplus reserve	7,283,589	9.1	7,166,927	9.1
General reserve	13,676,444	17.1	13,398,535	16.9
Investment revaluation reserve	(633,509)	(0.8)	399,979	0.5
Provision reserve	645,432	0.8	8,215	0.0
Reserve on remeasurement of defined benefit liability	(16,648)	(0.0)	(19,986)	(0.0)
Retained earnings	22,768,584	28.5	21,873,822	27.7
Non-controlling interests	594,617	0.7	566,453	0.7
Total equity	80,046,549	100.0	79,121,985	100.0

5.2.3 Loan quality analysis

During the Reporting Period, the solvency of some of the customers has declined due to the impact of COVID-19, in accordance with the regulatory policy and the principle of stability, the Bank fully considered the lagging impact of the COVID-19 pandemic on business operations and asset quality, strictly implemented classification standards of asset credit grading, and carried out loan quality management more prudently and proactively, including all loans overdue for more than 90 days and loans meeting non-performing characteristics into non-performing loan management, and the number of non-performing loans increased compared to previous year. By actively clearing risks and continuously increasing the provision, the Bank's asset quality was further consolidated, potential risks were greatly reduced, and the ability of risk resolution and disposal was continuously enhanced. At the end of the Reporting Period, the proportion of loans overdue for more than 90 days in the Bank's non-performing loans decreased by 131 percentage points to 91% as compared to the end of 2019, and the allowance to total loans increased by 0.9 percentage point to 3.72%.



5.2.3.1 Breakdown of loans by the five-category classification system

The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification system as of the dates indicated. The non-performing loans of the Bank are classified into loans and advances to customers that are substandard, doubtful and loss. As of 31 December 2020, the non-performing loans of the Bank amounted to RMB17.830 billion and the non-performing ratio was 3.26%, representing an increase of 1.51 percentage points as compared with that at the end of the previous year. The following table sets forth the distribution of the Bank's loans and advances to customers by the five-category loan classification system as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020		As at 31 December 2019	
	Amount	of total (%)	Amount	of total (%)
Normal	511,694,918	93.6	438,471,766	95.9
Special mention	17,537,699	3.2	10,725,971	2.3
Substandard	17,021,410	3.1	7,604,069	1.7
Doubtful	612,091	0.1	339,883	0.1
Loss	196,439	0.0	60,686	0.0
Total loans and advances to customers	547,062,557	100.0	457,202,375	100.0
Non-performing loan	17,829,940	3.26	8,004,638	1.75



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5.2.3.2 Concentration of loans

1. Concentration in terms of Industry and Distribution of Non-performing Loans

During the Reporting Period, the Bank strengthened credit investment in key fields and key industries by combining the characteristics of regional economic development with its own resource endowment, and optimized credit structure for rational allocation of credit resources. During the Reporting Period, the non-performing loans of some industries seriously affected by the COVID-19 increased. The following table sets forth the breakdown of loans and non-performing loans by industry as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020				As at 31 December 2019			
	Loan amount	Non-performing of total (%)	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing of total (%)	Non-performing loan amount	Non-performing loan ratio (%)
Wholesale and retail	165,528,276	30.2	8,760,106	5.29	174,938,570	38.3	4,383,799	2.51
Renting and business activities	84,023,237	15.4	1,189,288	1.42	68,381,038	15.0	19,441	0.03
Real estate	70,050,003	12.8	1,422,318	2.03	35,280,158	7.7	675,309	1.91
Construction	29,663,065	5.4	1,002,830	3.38	27,611,545	6.0	124,284	0.45
Manufacturing	35,479,768	6.5	2,517,291	7.10	26,512,208	5.8	1,637,419	6.18
Culture, sports and entertainment	12,595,154	2.3	46,000	0.37	6,175,911	1.4	10,000	0.16
Transportation, storage and postal services	6,244,752	1.1	973,055	15.58	4,114,725	0.9	68,560	1.67
Production and supply of electric power, heat, gas and water	2,401,189	0.4	47,458	1.98	3,548,293	0.8	9,478	0.27
Accommodation and catering	2,555,827	0.5	383,823	15.02	3,422,891	0.7	48,710	1.42
Mining	1,975,967	0.4	77,290	3.91	2,488,580	0.5	19,597	0.79
Household and other services	2,132,870	0.4	2,620	0.12	2,142,419	0.5	-	-
Agriculture, forestry, animal husbandry and fishery	865,359	0.2	64,329	7.43	1,161,819	0.3	15,450	1.33
Others	17,685,499	3.2	539,352	3.05	18,423,015	4.0	490,839	2.66
Discounted bills	38,403,424	7.0	-	-	25,488,939	5.6	-	-
Personal loans and advances	77,458,167	14.2	804,180	1.04	57,512,264	12.5	501,752	0.87
Total	547,062,557	100.0	17,829,940	3.26	457,202,375	100.0	8,004,638	1.75

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.

As of 31 December 2020, loans provided to customers of (i) wholesale and retail, (ii) renting and business activities sectors (iii) real estate and (iv) construction represented the largest components of the Bank's corporate loans. As at 31 December 2020 and 31 December 2019, the balance of loans provided to the corporate customers in the four industries mentioned above were RMB355.081 billion and RMB305.112 billion, respectively, accounting for 64.9% and 66.8%, respectively, with respect to the Bank's total loans and advances to customers.



2. *Concentration in terms of Borrowers*

Loans to the ten largest single borrowers

The following table sets forth the borrowing amounts of the ten largest single borrowers as at 31 December 2020. As of the same date, all such loans were classified as normal loans:

(Expressed in thousands of Renminbi, unless otherwise stated)	31 December 2020		
	Industry involved	Amount	of total (%)
Customer A	Renting and business activities	8,500,700	1.55
Customer B	Real estate	8,360,000	1.53
Customer C	Culture, sports and entertainment	8,000,000	1.46
Customer D	Renting and business activities	7,601,000	1.39
Customer E	Wholesale and retail	7,100,000	1.30
Customer F	Real estate	6,139,900	1.12
Customer G	Renting and business activities	5,543,730	1.01
Customer H	Manufacturing	5,541,900	1.01
Customer I	Real estate	5,295,000	0.97
Customer J	Real estate	5,130,000	0.94



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3. Distribution of Non-performing Loans by Product Type

The following table sets forth the loans and non-performing loans by product type as of the dates indicated.

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020			As at 31 December 2019		
	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)	Loan amount	Non-performing loan amount	Non-performing loan ratio (%)
Corporate loans	469,604,390	17,025,758	3.63	399,690,111	7,502,886	1.88
Short-term loans	182,093,054	12,660,451	6.95	161,443,571	5,326,026	3.30
Medium and long term loans	249,107,912	4,365,307	1.75	212,757,601	2,176,860	1.02
Discounted bills	38,403,424	–	–	25,488,939	–	–
Retail loans	77,458,167	804,182	1.04	57,512,264	501,752	0.87
Residential mortgage	48,276,811	271,016	0.56	36,041,189	211,835	0.59
Personal business loans	1,920,977	121,224	6.31	587,963	122,410	20.82
Personal consumption loans	20,672,637	139,179	0.67	17,297,007	92,677	0.54
Credit card overdrawn	6,572,422	272,763	4.15	3,568,235	74,830	2.10
Other	15,320	–	–	17,870	–	–
Total	547,062,557	17,829,940	3.26	457,202,375	8,004,638	1.75

As at 31 December 2020 and 31 December 2019, the non-performing loan ratio of the Bank, was 3.26% and 1.75%, respectively.

As at 31 December 2020 and 31 December 2019, the non-performing loan ratio of the Bank's corporate loans (including discounted bills) was 3.63% and 1.88%, respectively.

As at 31 December 2020 and 31 December 2019, the non-performing loan ratio of the Bank's retail loans was 1.04% and 0.87%, respectively.

5.2.4 Analysis on Capital Adequacy Ratio

The Bank calculated and disclosed capital adequacy ratios in accordance with the relevant provisions of the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法(試行)) (effective since 1 January 2013) promulgated by the CBIRC. As at 31 December 2020, the Bank's core Tier-one Capital adequacy ratio and Tier-one Capital adequacy ratio were both 11.07%, the capital adequacy ratio was 12.23%, capital adequacy ratios at all levels met the regulatory requirements.



The following table sets forth the relevant information of the Bank's capital adequacy ratio as of the dates indicated:

(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December 2020	As at December 2019
Core capital		
– Share capital	8,796,680	8,796,680
– Qualifying portion of capital reserve	26,931,360	26,931,360
– Surplus reserve	7,283,589	7,166,927
– General reserve	13,676,444	13,398,535
– Investment revaluation reserve	(633,509)	399,979
– Provision reserve	645,432	8,215
– Retained earnings	22,768,584	21,873,822
– Qualifying portions of non-controlling interests	95,423	83,341
– Others	(16,648)	(19,986)
Core Tier-one Capital	79,547,355	78,638,873
Core Tier-one capital deductions	(254,841)	(192,308)
Net Core Tier-one Capital	79,292,514	78,446,565
Net Tier-one Capital	79,292,514	78,446,565
Tier-two Capital		
– Qualifying portions of tier-two capital instruments issued	6,000,000	16,000,000
– Surplus provision for loan impairment	2,325,846	4,874,532
Net tier-two Capital	8,325,846	20,874,532
Total net Capital	87,618,360	99,321,097
Total risk weighted assets	716,353,323	683,238,647
Core tier-one Capital adequacy ratio	11.07%	11.48%
Tier-one Capital adequacy ratio	11.07%	11.48%
Capital adequacy ratio	12.23%	14.54%



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5.2.5 Segment information

5.2.5.1 Summary of regional branches

The Bank is mainly operating within China. Its head office and 18 branches are located in five provinces and municipalities directly under the Central Government. It also established seven subsidiaries in Liaoning Province, Shanghai and Zhejiang Province.

(Expressed in thousands of Renminbi, unless otherwise stated)	Operating revenue				Non-current assets			
	For the year ended 31 December							
	2020		2019		31 December 2020		31 December 2019	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)
Northeast China Region	15,039,278	92.5	18,853,579	89.8	6,314,658	95.7	6,315,864	95.2
North China Region	651,384	4.0	1,351,132	6.4	246,040	3.7	281,612	4.2
Others	576,151	3.5	802,556	3.8	42,421	0.6	37,864	0.6
Total	16,266,813	100.0	21,007,267	100.0	6,603,119	100.0	6,635,340	100.0

5.2.5.2 Summary of business segments

The Bank adhered to “returned to its original source and focused on its main business”, accelerated the construction of large companies and large retail sectors, and continuously optimised the structure of its peers. In 2020, the operating revenue of corporate banking amounted to RMB12.008 billion, accounting for 73.8% of the total operating revenue. The operating revenue of retail banking business amounted to RMB1.715 billion, accounting for 10.5% of the total operating revenue. The operating revenue of treasury business amounted to RMB2.391 billion, accounting for 14.7% of the total operating revenue.



(Expressed in thousands of Renminbi, unless otherwise stated)	As at 31 December			
	2020		2019	
	Amount	of total (%)	Amount	of total (%)
Operating revenue				
Corporate banking	12,008,413	73.8	12,291,954	58.5
Retail banking	1,715,022	10.5	2,246,090	10.7
Treasury business	2,391,192	14.7	6,452,560	30.7
Others	152,186	1.0	16,663	0.1
Total	16,266,813	100.0	21,007,267	100.0

5.2.6 Commitments of Off-balance Sheet Items

The following table sets forth the Bank's credit commitments as at the dates indicated:

	As at 31 December 2020	As at 31 December 2019
Credit Commitments		
Bank acceptances	112,713,060	146,246,742
Letters of guarantees	15,383,277	6,897,886
Unused credit card commitments	14,610,528	10,617,675
Letters of credit	13,872,503	11,159,555
Total	156,579,368	174,921,858



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5.3 BUSINESS OVERVIEW

5.3.1 Corporate Banking Business

During the Reporting Period, the Bank focused on advantageous industries and strategic customer groups. Focusing on high-quality projects and mainstream customers, and according to the strategic positioning as a featured and lightweight corporate bank, the Bank took multiple measures in terms of scale growth, structural optimisation, product innovation, channel expansion and system development through financing, capital operation, resource integration and asset management, promoting the high-quality and healthy development of corporate banking business.

5.3.1.1 Corporate Deposits

The Bank adhered to a customer-oriented approach, deeply developed the layered and account-oriented marketing strategies, actively expanded strategic customers, institutional customers, key customers and basic customers in the head office, and innovated service methods to promote the construction of electronic channels, so as to meet the individual financial needs of the Bank's customers, and continuously consolidate the customer base. As of 31 December 2020, the balance of corporate deposits amounted to RMB290.788 billion, which accounted for 42.7% of the balance of each deposit. The Bank actively adjusted its liability structure, focused on promoting liquidity management, actively reduced high-cost deposits and unstable deposits, increased cash management and fund settlement scale, so as to continuously optimise the liability structure.

According to the information provided by the Business Management Department of the PBOC Shenyang Branch, as of 31 December 2020, the Renminbi corporate deposits with the Bank in Shenyang area amounted to RMB175.1 billion, ranking first among the banks in Shenyang area for consecutive years, accounting for 19.58% of the market of Renminbi corporate deposits in Shenyang area.

5.3.1.2 Corporate Loans

The Bank earnestly fulfilled its social responsibilities, served the real economy, accelerated the optimisation and adjustment of credit structure, so as to continuously improve its ability to serve regional economic development. The Bank actively expanded high-quality customers and improved the quality of existing customers, so as to continuously consolidate the customer base; actively supported the development of private enterprises, supported the development of strategic emerging industries, including green and environmental protection, high-end equipment manufacturing, medicine and healthcare, petrochemicals and energy and modern agriculture industries. During the pandemic, the Bank actively supported the resumption of work and production of enterprises, increased support for small- and micro-sized enterprises, and reduced corporate financing costs. As of 31 December 2020, the balance of our corporate loans (excluding discounted bills) amounted to RMB431.201 billion, representing an increase of RMB57.0 billion or 15.2% as compared to last year.



5.3.1.3 Trade Finance

In line with the new trends in global trade and industrial chain development, the Bank actively expanded trade financial services, not only providing financial support for traditional businesses including trade financing and trade settlement, but also attaching importance to the role of small- and medium-sized enterprises in trade development. Through the integration of online and offline services, financial services were innovated, service efficiency was improved, and risks were effectively prevented and controlled. During the Reporting Period, the clearance volume of the trade finance business reached USD33.039 billion, representing a year-on-year increase of 11%. Revenue from the trade finance intermediary business amounted to RMB0.316 billion, representing a year-on-year increase of 14%.

5.3.2 Retail Banking Business

During the Reporting Period, the Bank adhered to the strategic vision of “building a sound bank”. On the one hand, we deepened customer operation and met the diversified needs of customers; on the other hand, we accelerated the construction of the system and released the capacity of institutions and mechanisms. By focusing on customer experience, we created a retail banking development model covering all products, all channels and all scenarios, and featuring integration and digitalisation, so as to comprehensively improve customer service capabilities.

5.3.2.1 Personal Deposits

The Bank adhered to the fundamental policy of “developing the Bank through deposits,” and promoted the construction of five major retail projects. Firstly, the Bank promoted the agency business project and established the product system named “Shengxintong” (盛薪通) for digital payroll, forming six business modules including tier, equity, product, function, marketing and brand. Secondly, the Bank continued to promote product innovation projects and improve traditional, large-value, structural, characteristic and customised product series. Thirdly, the Bank continued to promote the production capacity of outlets, improved electronic archives of the outlets, and established a visualization system, providing differentiated strategic support with one strategy for one point. Fourthly, the Bank continued to promote expansion of customer and marketing projects, expanded retail customers, and continued to strengthen the promotion and improvement of potential customers, social security customers, and second-tier customers to improve the quality and efficiency of work. Fifthly, the Bank continued to promote skills upgrade projects, and systematically carried out differentiated and specialised business knowledge and marketing skills training. At the same time, the Bank comprehensively carried out special marketing models, including precision marketing, scenario marketing, fission marketing, and video marketing, so as to establish differentiated and specialised customer cultivation systems, including wealth management, mass finance, long tail, and create a full-product innovation system, omnichannel customer acquisition system, full-scenario marketing system, market-oriented team system and digital technology system. As of 31 December 2020, the balance of our personal deposits amounted to RMB357.905 billion, representing an increase of RMB145.804 billion or 68.7% compared to the end of the previous year, of which the balance and increase in our personal deposits continued to rank the first in Shenyang area.



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5.3.2.2 Personal Loans

Adhering to the concept of sustainable and high-quality development, for its retail credit business, the Bank thoroughly implemented the strategy of combining consumer loans and business loans. Guided by improving customer experience, the Bank optimised product functions and business process, accelerated the development of risk management capabilities, strengthened post-loan management, and promoted coordinated growth in retail asset scale, revenue, and quality. As of 31 December 2020, personal loans (including personal housing mortgage loans, personal consumption loans, credit cards, personal business loans and other personal loans) increased by RMB19.946 billion or 34.7% as compared to that of the end of the previous year to RMB77.458 billion.

5.3.2.3 Bank Cards

The Bank continued to optimise the service functions of bank cards, focused on customer experience, and promoted the construction of a customer-centric service system, so as to continuously create better and more convenient financial services for individual customers. The Bank continued to promote the agency business project, expanded customer acquisition channels, and achieved mass customer acquisition. As of 31 December 2020, the Bank issued 16.7109 million debit cards in total, representing an increase of 1.8324 million compared to that at the beginning of the year, with a total consumption value of RMB30.316 billion.

5.3.2.4 Assets Management

The Bank established the business positioning of “serving the comprehensive financing for all customers of the Bank, serving the wealth management for all customers of the Bank, and serving the steady growth of deposits of the whole Bank”, and fully carried out the brand building of “sound Bank, sound financial management”. The Bank intensified the advancement of net worth transformation, adhered to customer orientation, completed the construction of 5 major net worth product series, and strengthened product supply and scenario service output based on the concept of “selling suitable products to suitable customers”. The Bank optimised asset management strategies, deepened allocation and portfolio management, continued to improve risk pricing and value creation capabilities, so as to gradually realise the transformation from interest rate differential income to management income. The Bank was honored the “2020 Wealth Management Brand Tianji (天玑) Award” issued by the Securities Times, thereby enhancing the influence of wealth management brand of Shengjing Bank. As of 31 December 2020, an accumulation of 724 tranches of wealth management products with a total amount of RMB117.114 billion was issued by the Bank, with an existing balance of RMB60.745 billion; an income of RMB0.780 billion was realised from wealth management, representing a year-on-year increase of 32%.



5.3.3 Capital and investment banking business

The Bank focused on building a financial inter-industry ecosystem, creating a synergy and win-win model for service liquidity management and customer integrated marketing. On the one hand, the Bank continued to improve product innovation support capabilities, adhered to high-quality development requirements, so as to allocate resources to tilt to high-quality assets, high-quality customers and superior products, and increase comprehensive contributions in all aspects. On the other hand, the Bank focused on customer development and planned asset layout, so as to continuously broaden financing channels and expand profitability, while ensuring asset safety, continued to optimise the financial market product structure.

5.3.3.1 *Money market transactions*

The Bank actively adjusted its debt structure around the idea of “reducing costs, increasing duration, and expanding sources”, and steadily reduced the proportion of interbank liabilities. On the premise of liquidity security, the Bank steadily carried out currency market transactions, and strengthened active control and lowering of capital transaction prices to achieve cost reduction and efficiency enhancement. In terms of capital operation, the Bank paid more attention to liquidity adjustment and liquidity transmission to the inter-bank market. In 2020, as a liquidity mutual aid reserve management bank in Liaoning Province, the Bank has accepted many applications from member banks, effectively serving the liquidity needs of commercial banks in the province. As of 31 December 2020, the balance of the Bank’s deposits and loans interbank and from other financial institutions and the financial assets sold under repurchase agreements amounted to RMB185.449 billion, accounting for 19.4% of the Bank’s total liabilities. The balance of the Bank’s deposits and lending interbank and to other financial institutions and financial assets held under repo agreements was RMB41.664 billion, accounting for 4.0% of the Bank’s total assets.

5.3.3.2 *Investment in securities and other financial assets*

The Bank further optimised its business structure and continuously enriched its product system, so as to promote the overall sustainable development of business. Firstly, the Bank selected opportunities to carry out bond band operations based on studying and judging market trends, with continuously improving active trading capabilities to maintain market activity and influence. In 2020, the Bank won awards including the “Top 300 Local Currency Transaction”, “Core Dealer”, “X-Repo Transaction Mechanism Innovation Award” and “Valuation Business Innovation Contribution Award” in local currency market. Secondly, the Bank continuously improved business innovation, and successfully issued corporate credit asset-backed securities, becoming the first city commercial bank to issue interbank credit asset securitisation products in 2020. The Bank successfully implemented our first cross-border syndicated loan business, which not only supported the development of the manufacturing industry and the green economy, but also enhanced our Bank’s reputation on the market both at home and abroad. The corporate asset securitisation business had a significant effect in expanding customers, further opening up the business market.



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5.3.4 Specialised institutions and subsidiaries

5.3.4.1 Financial service center for Small Businesses

The financial service center for small businesses of the Bank resolutely implemented the decision and deployment of the PRC government and the regulatory authorities on financial services for small and micro businesses. Focusing on the strategic vision of “building a sound bank”, and based on the market positioning of “serving the local economy, serving the small and micro businesses, as well as serving urban and rural residents”, the Bank firmly grasped the fundamental purpose of financial services to the real economy, and took proactive actions to continuously improve the comprehensive strength of inclusive financial services.

The financial service center for small businesses of the Bank was customer-oriented, tailored to customers’ development stages and industry characteristics, accurately configured financing plans, so as to provide high-quality and efficient financial services. Firstly, focusing on marketing scenarios including supply chains, industrial chains, industrial parks, cluster markets, government agencies and guarantee companies, the Bank has formed a reproducible and modular marketing model, and promoted the development of small and micro financial services to transit from single fragment to batch cluster, from single product to integrated financial services. Secondly, in view of customers, quotas, maturities, risks and other perspectives, the Bank designed exclusive products for small and micro businesses, broke the single product application model, and implemented a comprehensive service strategy, providing customers with full-process and one-stop financial services integrating credit products, account services, daily settlement and financial management. Thirdly, the Bank adhered to technology empowerment. The small business intelligent platform 1.0 system it developed integrated credit investigation, industry and commerce, judicial and other data access standards, and used intelligent technology to determine customer identities, which provided strong support in terms of ensuring business safety, saving customers’ time, and improving customer experience.

Since the outbreak of the COVID-19 pandemic, the financial service center for small businesses of the Bank has actively played the role of financial institutions in the prevention and control of the pandemic, effectively fulfilling its social responsibilities and focusing on weak areas. According to the principle of “deferring repayments as much as possible”, the Bank provided deferred debt and interest payment policies for small- and micro-sized enterprises that were experiencing temporary difficulties under the pandemic, and supported small- and micro-sized enterprises to maintain their operations and develop steadily.



5.3.4.2 Credit card center

During the Reporting Period, the credit card center of the Bank focused on high-quality development, fighting against the pandemic, promoting consumption, issuing good cards, providing excellent services, strengthening technology, and controlling poor performance, so as to improve internal mechanism construction and ensure compliance in business development. Firstly, according to the relevant notices of the China Securities Regulatory Commission, the Bank extended repayments and reduced interest fees for cardholders affected by the pandemic, and reduced interest and liquidated damages in 4,864 transactions in aggregate. Secondly, the Bank improved its customer acquisition marketing system, developed a preferential merchant system, cultivated an ecological environment for card use, and continued to promote activity and transactions. Thirdly, the Bank improved its product system, expanded installment scenarios, and released Zhenzhi (臻至) Platinum Card, Tencent Micro Plus Card and Tuhu (途虎) Co-branded Card. Fourthly, the Bank initially established a “full life cycle” customer service system to deepen the effect of customer service and accelerate the transformation of service to operation. Fifthly, the Bank promoted the digital development of business, and launched the Refreshed Life APP2.0, the core credit card system N2+, and the BLAZE decision-making engine system. Sixthly, the Bank strengthened the risk management and control prior to and during lending, and improved the collection efficiency of various channels.

As of 31 December 2020, there were in aggregate 1,585,100 credit cards issued by the Bank, representing an increase of 481,600 cards or 43.6% from the number at the beginning of the year; the aggregated annual transaction amount reached RMB33.644 billion, representing an increase of 132.3% as compared to 2019, and single-month trading volume exceeded RMB3.4 billion; the balance of existing credit card loans amounted to RMB6.572 billion, representing an increase of RMB3.004 billion or 84.2% from that at the beginning of the year.

5.3.4.3 Shengjing Bank Consumer Finance Co., Ltd. (盛銀消費金融有限公司)

Shengjing Bank Consumer Finance Co., Ltd. was the first consumer finance company in North East China established by the Bank as principal sponsor and was approved to start business in February 2016, with the registered address in Shenyang City and a registered capital of RMB300 million.

In 2020, based on the general requirements of “strategy confirmation, risk control, foundation consolidation, transformation promotion, and team enhancement”, Shengjing Bank Consumer Finance Co., Ltd. focused on pandemic prevention and control on the one hand, and transformation and development on the other hand. Through a year of hard work, the Bank’s development strategy has become more explicit, the compliance culture has been deeply rooted in the hearts of the staff, the risk control ability has been continuously improved, the self-operated products have successfully broken the ice, the scientific and technological capabilities have been significantly improved, and the team building has been continuously strengthened. As of 31 December 2020, Shengjing Bank Consumer Finance Co., Ltd.’s total assets amounted to RMB4.063 billion, outstanding loan balance amounted to RMB3.709 billion, and customers served in aggregate amounted to 3.6482 million. During the Reporting Period, Shengjing Bank Consumer Finance Co., Ltd.’s operating income amounted to RMB690 million, realising a profit amounting to RMB45 million, and non-performing loan ratio being 0.09%.



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Shengjing Bank Consumer Finance Co., Ltd. actively utilised the three advantages including licensed operation, shareholder coordination, and talent culture, focused on the four market positioning including inclusive finance, online scenarios, shareholder ecology, and Shenyang, Liaoning characteristics, so as to build four core capabilities of continuous operation, independent risk control, technological innovation, and big data processing, gradually build a consumer finance company recognised by the market with distinctive features, and healthy finance.

5.3.4.4 Village and town banks

The Bank as the principal sponsor jointly establishes six village banks, four of which are located in Shenyang City in Liaoning Province, being Shenyang Shenbei Fumin Rural Bank, Shenyang Xinmin Fumin Rural Bank, Shenyang Faku Fumin Rural Bank, Shenyang Liaozhong Fumin Rural Bank; the other two being Ningbo Jiangbei Fumin Rural Bank in Ningbo, Zhejiang Province and Shanghai Baoshan Fumin Rural Bank in Shanghai. All six village banks are independent legal entities.

The village banks invested and established by the Bank actively implemented the Bank's overall development strategy, faithfully fulfilled their social responsibilities, and adhered to the business philosophy of "supporting agriculture, rural areas and farmers". With a market positioning of "serving agriculture, rural areas and farmers and supporting small and micro enterprises by keeping a foothold in villages and towns" and the principle of small amount diversification for the credit allocation, such village and town banks provided services to small and micro enterprises in counties and market-oriented rural households. Financial services were provided to customers by using small-sum credit products, thereby effectively promoting the operation and development of village banks. During the reporting period, the Bank established a brand-new management model for village banks. Through the efficient coordination and supervision and guidance of the headquarters and branches, the village and town banks have further improved the corporate governance operating mechanism, reshaped a simple and effective system, formulated an assessment plan that takes into account core indicators including development and risk control, consolidated the quality control of credit assets, thereby comprehensively improving the operational development and risk control and compliance capabilities.

5.3.5 Distribution Channels

5.3.5.1 Physical Outlets

The Bank continued to accelerate the outlet transformation, promoted the sustainable development of outlets and upgrading of outlets, promoted the optimised layout of all outlets of the Bank; as a result, the coverage of outlet services continued to expand, and regional influence continued to be enhanced. As at 31 December 2020, the Bank has established 208 institutional outlets, including one head office, three branch-level specialised institutions, 18 branches, 181 traditional sub-branches, and five small sub-branches.



5.3.5.2 Self-service Banking

The Bank established a relatively complete intelligent financial service system by accelerating the development of smart outlets. Focus was put on enhancing the popularisation and application of smart counter, remote video banking and high-speed cash recycling system, and the Bank accelerated the replacement of system functions and realised upgrading of various financial and non-financial personal business functions, thereby continuously improving the service capabilities of self-service equipment as well as customer experience. As of 31 December 2020, the Bank owned 1,781 self-service facilities, including cash recycling systems, inquiry and payment machines, mobile card activating machines, VTMs, smart counters, high-speed cash recycling systems, interactive desktops and other advanced self-service facilities.

5.3.5.3 Electronic Banking

1. Online banking

The Bank continued to improve the function, service and experience of its personal online banking by focusing on providing differential services in terms of, amongst others, payment limit and security verification methods among different customer groups and provided convenient and secure online services to its customers. As of 31 December 2020, there were a total of 655,000 personal online banking customers, representing an increase of 12% from that at the end of the previous year. There were 733,400 transactions, with an accumulated transaction value of RMB71.980 billion.

In order to better serve corporate customers and comprehensively improve customer service experience, in 2020, the Bank launched a new generation of corporate online banking version 4.0, developing 13 major functional modules, optimising 28 business processes with 1,092 function points, which enriched online products and functions, enhanced financial technology capabilities, and launched a new chapter in the Bank's business digital transformation. As of 31 December 2020, there were a total of 41,800 corporate online banking customers, representing an increase of 31% from that at the end of the previous year. There were 2,082,800 transactions, with an accumulated transaction value of RMB2,107.39 billion.

2. Mobile Banking

Focusing on customer experience, the Bank accelerated the upgrade and iteration of mobile banking, focused on visual effects and business functions, and continuously improved mobile banking service capabilities, so as to achieve continuous improvement in customer activity. The Bank provided mobile banking with Regular version and Fortune version to realise differentiated service capabilities, and increased customised special areas including payroll agency and new clients of Fortune version to achieve precise marketing aiming at different customer groups. As of 31 December 2020, there were a total of 2.7471 million mobile banking customers, with an accumulated transaction amount of RMB350.439 billion in 2020, representing an increase of 643% over the same period of the previous year; the number of transactions reached 12.791 million, representing an increase of 149% over the same period of the previous year.



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5.3.6 Information Technology and R&D

During the Reporting Period, the Bank actively implemented the basic policy of “developing the Bank through technology”, and improved its information technology management system based on the needs of the Bank’s business development. On the basis of ensuring the business continuity of the information system, with financial technology as an important driving force and carrier, through in-depth integration with industry scenarios, the Bank promoted digital, intelligent and ecological development, and enhanced innovation, R&D, efficiency, flexibility, integration and co-construction of business and technology, so as to effectively empower the business development throughout the Bank.

Firstly, the Bank further clarified the scientific and technological development thinking, strategic layout and resource allocation strategy, so as to promote the in-depth integration of information technology and business; and scientifically carried out IT project demand management, progress management and quality management, completing put-into-production of 863 business requirements throughout the year, and the number more than doubled year on year. Secondly, the Bank implemented an architectural transformation, transforming the underlying system architecture to a distributed and open architecture, based on loosely coupled, distributed IT architecture, as well as standardised and intelligent data system, focused on improvement on flexible innovation, intelligent applications, open integration capabilities, empowering transformation and development, and assisting digital transformation. Thirdly, the Bank enhanced financial technology innovation and injected financial technology elements into the entire business process and all areas, so as to create a digital bank with the ultimate user experience, rich variety in scenario ecology, online and offline collaboration, and flexible product innovation; established an online deposit product platform and account system with flexible product configuration and stable operation; integrated credit investigation, industry and commerce, judicial and other data, used biometrics, OCR live detection and other technologies to realise loan self-service application, and added over 300 functions including smart transfer and supply chain finance to the e-banking channel, so as to meet the needs of customers for handling various financial business at home during the pandemic period. The counter system upgrade was completed, 56% of transactions were electronically stamped and paperless, reducing the average processing time for integrated transactions by more than 30%, which greatly improved the operating efficiency of outlets.



5.4 RISK MANAGEMENT

In 2020, the global outbreak and continuous spread of the COVID-19 pandemic brought severe impact to the domestic and foreign economies, the operation of the global industrial chain and supply chain was hindered, while trade and investment activities continued to be sluggish. However, since the second half of 2020, China's pandemic prevention and control, as well as economic and social development have gradually achieved remarkable results, and the annual macroeconomic growth rate has achieved positive growth. At the same time, the banking supervision system continued to maintain a high-pressure posture of rectifying chaos in the financial market, with the situation of strict and strong supervision gradually becoming normal. In this context, under the guidance of our "being a sound bank" strategy, the Bank continued to adhere to a scientific and sound risk management strategy, adhered to the risk bottom line to prevent loss of ultimate asset, grasped the pain points and difficulties of risk management, and continued to optimise the comprehensive risk management system, carried out in-depth implementation of multi-dimensional and differentiated management and control of institutions, regions, industries, customers, products, etc.. Our assets and liabilities, customers and business structures have been continuously optimised, risk information system and the professional level of the talent team have been significantly improved, and risk management and control capabilities have been continuously enhanced, effectively guaranteeing the stable operation of the business.

5.4.1 Credit Risk Management

Credit risk occurs when customers or counterparties are unable or unwilling to perform their obligations to the Bank. The credit risk exposure of the Bank mainly exists in the credit business and treasury business.

During the Reporting Period, facing the challenges and opportunities brought by the pandemic, the Bank adhered to the management philosophy of "compliance as a key foundation of the Bank", practised the "industry finance" business strategy, adhered to the principle of grasping substantial risks and preventing ultimate risk, and focused on high-quality industries and mainstream customers. The Bank steadily promoted the transformation of existing businesses, continued to optimise the asset structure of the whole Bank, and maintained stable operations of asset business.

Firstly, the credit management mechanism has been continuously improved. Guided by regulatory policies and meeting the needs of the Bank's strategic development, the Bank has gradually established a hierarchical and classified approval mechanism, further strengthened the construction of the credit management system, further standardised the credit review and approval process, and continued to improve the quality and efficiency of credit management. Secondly, the Bank focused on high-quality industries and mainstream customers, continued to optimise its asset structure, deeply cultivated strategic customers and regional high-quality resources, launched parallel operation mechanism, conducted pre-risk demonstration, meeting customers' operational financing needs, matching reasonable product arrangements, customising comprehensive credit plans with a balanced risk and return, and continuously improving the quality and efficiency of financial services. Thirdly, the Bank transformed the existing business in an orderly manner, insisted on maximising the protection of rights and interests as the foundation, with reinforcement and decline as the starting point, combined efforts from the headquarters and the branches, and categorized policies to effectively consolidate the quality of stock business assets.



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5.4.2 Operational Risk Management

Operational risk refers to the risk of loss caused by inadequate or problematic internal procedures, personnel and information technology systems as well as external events.

During the Reporting Period, the Bank insisted on operating in compliance with laws and regulations, strengthening internal control, improving operational risk measurement methods, management tools and policy systems, reducing or mitigating operational risk losses, so as to control operational risks at an appropriate level. Firstly, the Bank adhered to effective internal control and compliance management, promoted the internalisation of external regulations, optimised the system, improved the mechanism construction for risk management, credit management, authorisation management, and maintained the separation of front, middle and back responsibilities, mutual checks and balances, and mutual supervision of various businesses, so as to consolidate the foundation for internal control and compliance. Secondly, the Bank enhanced the supporting role of information technology, by strengthening the system construction for business processing and business monitoring, optimising the information technology operation and management process, enhancing the supporting role of information technology in business development and refined management, so as to avoid risks caused by system failures or system vulnerabilities. Thirdly, the Bank strengthened the behavior management of employees, carried out special business knowledge, practical operations, case prevention and control training and warning education, strictly implemented the post management system, and monitored the misconduct of personnel in important positions and sensitive links, so as to prevent business operation risks and moral hazards. Fourthly, the Bank made full use of operational risk management tools. For key areas and key links including asset business, counter business, information technology that may cause operational risks, the “Operational Risk Points Practical Manual” was compiled to standardise the business operations throughout the Bank and ensure compliance to carry out various work. Fifthly, the Bank promoted the planning and construction of a business continuity management system, so as to improve the emergency response mechanism and outsourcing business management process, and establish and perfect a backup mechanism for restoring services and ensuring continuous business operations.

5.4.3 Market Risk Management

Market risks refer to the risk of losses that may be suffered by the Bank's on/off-balance sheet business as a result of unfavourable changes in market price, including interest rate, exchange rate, stock price and commodity price. Market risk can be divided into interest rate risk, exchange rate risk, stock risk and commodity risk. Market risks referred to in this section refer to market risk other than the bank account book interest rate risk.

The market risk management of the Bank aimed to control market risks within a reasonable and affordable range to maximise the overall benefits of the Bank after risk adjustment. The Bank adopted market risk measurement methods such as mark-to-market analysis, basis point value method, value-at-risk (VaR) method and sensitivity analysis method, and adopted limit management, hedging risk exposure and other measures to control market risk.



During the Reporting Period, the Bank continued to enrich the methods of market risk identification, measurement, monitoring and control to improve the level of market risk management. Firstly, the Bank strengthened the monitoring of market risk, monitored the implementation of market risk limit of trading accounts on a daily basis and carried out market revaluation through management tools of risk measurement such as sensitivity analysis, duration, and Value at Risk (VaR), strictly implemented the risk warning and alerts and stop-loss limit to ensure the market risk is stable and controllable. Secondly, according to regulatory requirements and business development needs, we optimised authorisation and quota schemes, and improved authorisation and quota management. Thirdly, we conducted regular stress tests to assess the damage caused to the Bank by extremely adverse scenarios, conduct post-event tests against stress tests, and evaluate and improve the measurement models based on the test results to improve the timeliness and effectiveness of market risk monitoring.

5.4.4 Bank Account Book Interest Rate Risk

Bank account book interest rate risk refers to the adverse changes in the level of interest rate, term structure and other factors which lead to loss on the economic value and overall revenue of bank account books, including gap risk, benchmark risk and optional risk. Among which, gap risk is the main interest rate risk faced by the Bank. The Bank mainly adopted various methods such as gap analysis, scenario simulation and stress testing to measure, monitor and analyze interest rate risk in bank accounts.

During the Reporting Period, emergencies such as the COVID-19 pandemic have had a huge impact on the global economy, the financial market has been volatile, and external uncertainties have continued to increase. In China, the monetary policy of the PBOC was more flexible and appropriate, the market liquidity was reasonable and abundant, and the financial market as a whole remained stable. The full use of LPR and the implementation of converting stock loan benchmark interest rates have further unblocked the monetary policy transmission mechanism, and the interest rate market reform has continued to deepen. In order to effectively reduce the negative impact of interest rate changes on the Bank's current profit and loss and economic value, the Bank paid close attention to changes in the external market interest rate environment, continued to strengthen the monitoring and analysis of bank account book interest rate risk, strictly implemented the bank account book interest rate risk limit management mechanism, and controlled the bank account book interest rate risk within the acceptable range. According to market changes, the Bank enriched the bank account book interest rate risk stress test scenarios, and added extreme scenario simulations to the repricing risk stress test, which further improved the adequacy and effectiveness of the stress test. We continued to pay attention to the impact of the LPR reform on the repricing cycle and gap changes of our bank, formulated the Bank's business development strategy in line with the changes in the market environment, so as to give full play to the guiding role of FTP, appropriately extend the duration of debt, adjust the repricing strategy at the right time, and realise forward-looking, proactive and effective management of bank account book interest rate risk.



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5.4.5 Liquidity Risk Management

Liquidity risk refers to the risk of failure to timely obtain adequate funds at a reasonable cost to repay debts when due, perform other payment obligations, or satisfy other capital needs in the ordinary course of business.

During the Reporting Period, according to the prudent and stable liquidity risk appetite, the Bank has continuously optimised and improved the liquidity risk management mechanism and procedures, proactively and prospectively strengthened liquidity risk management, with the liquidity level having been continuously improved. Firstly, the Bank improved the liquidity risk management system, revised a number of internal systems related to liquidity management, and improved the operability and effectiveness of the liquidity management system. Secondly, the Bank further optimised the liquidity management system and mechanism, strengthened day-time liquidity management, optimised day-time position forecasting mode, to dynamically adjust funding sources and utilisation and allocation arrangements. Thirdly, the Bank intensified its reserves of high-quality liquid assets, expanded the scale of highly liquid assets and increased asset diversification, elevated the safety buffer zone, and comprehensively improved liquidity risk resistance. Fourthly, the Bank strengthened the control of asset-liability gap and management of business's original maturity, strengthened liquidity indicator monitoring and limit management, and scientifically orchestrated liquidity gaps at various maturities, so as to ensure payment and settlement safety and continuously meet regulatory indicators for liquidity.

5.4.6 Information Technology Risk Management

Information technology risk refers to the risk that may occur to the Bank's operation, reputation or legal compliance in the process of applying information technology due to factors such as natural factors, human factors, technological limitations and management inadequacy.

During the Reporting Period, the Bank fully implemented the requirements of national and regulatory authorities on information technology risk management, and continuously strengthened its ability to prevent and control information technology risks. Firstly, according to regulatory documents and information technology risk management and control requirements, the Bank established a normalised information technology risk monitoring and control mechanism through the identification, measurement and monitoring of risks in information security, information system research and development, and information technology operations, with a total of 578 monitoring indicators established. Secondly, the Bank effectively performed its supervision and inspection duties, carried out on-site information technology risk inspections of all branches and departments of the head office, conducted in-depth investigation of hidden security risks, and timely dealt with the risks to prevent and eliminate the occurrence of major risk events. Over the year, we carried out 17 system vulnerabilities early warning and investigations, 21 special inspections such as electronic information technology risk inspections, financial data security special inspections, and conducted more than 1,700 data security trainings. Thirdly, the Bank continued to deepen project management and process control, monitor the quality of project research and development, focus on functional testing and performance testing, and move forward with regard to risk prevention thresholds to resolve risks before put into operation. Fourthly, the Bank regularly sorted out the risk reminders of the regulatory authorities and the key points of information technology risk management, as a starting point for strengthening the daily management of information technology risks, supervised the implementation of information system security self-inspection, daily inspections and regular inspections, so as to improve the level of information technology risk monitoring.



5.4.7 Reputational Risk Management

Reputational risk refers to the risk that may cause negative comments on the Bank from the stakeholders due to the acts relating to the Bank's operation, management and other aspects or other external incidents.

During the Reporting Period, the Bank attached great importance to reputational risk management, and effectively maintained its good image in accordance with the principles of forward-looking, professional and good planning. Firstly, the Bank established a sound reputational risk emergency response mechanism, with efficient internal and external linkages, and unblocked emergency response channels. Secondly, the Bank further improved the system construction and optimised the management process of public opinion monitoring, reporting, and disposal in line with actual work and management requirements. Thirdly, the Bank strengthened source governance, conducted regular reputational risk investigations, and took measures in advance to resolve hidden problems. Fourthly, the Bank organised reputational risk management training and emergency drills to enhance the reputational risk prevention and control awareness and response capabilities of all staff. Fifthly, the Bank actively conducted positive publicity and guidance, enriched the forms of publicity, and actively transmitted positive energy.

5.4.8 Compliance Risk Management

Compliance risk refers to the risk of suffering from legal sanction, regulatory punishment, significant financial loss or reputation loss due to failure to comply with relevant laws, rules and codes of conduct.

The Bank advocated the principle of "compliance as a key foundation of the Bank", deepened the philosophy of "compliance as a key foundation of the Bank", adhered to high standards, abided by laws, regulations, regulatory requirements and the Bank's regulations, and carried out various business management activities with prudent operation as the starting point, so as to implement the compliance management policy of "regulated behaviour, strong inspection, effective mechanism, and proper monitoring". During the Reporting Period, facing the continuing trend of "strong and strict supervision", the Bank proactively adapted to the new regulatory requirements, correctly grasped the compliance direction, so as to ensure that the regulatory requirements were properly communicated, and further improve the long-term compliance management mechanism. Firstly, the Bank continuously improved the compliance risk management system. The Bank strictly implemented the compliance risk management policy of the Bank, adhered to compliance operation and bottom line thinking, and implemented construction of whole process compliance mechanism, so as to achieve effective identification and management of compliance risks. Secondly, the Bank continued to consolidate the foundation for compliance. By advancing the internalisation of external regulations, optimising the system, carrying out review of policies and systems, and strengthening system implementation, etc., with "determination", "learning", "application" and "logic" as the management goals (namely, "determination" system with scientific planning system, "learning" system with reinforced training, "application" system with strict implement, "logical" system with dynamic re-inspection), the Bank continued to improve the construction of the system, consolidated the basis for compliance management, and built a mechanism management system compatible with our development strategy, business strategy, business scope and risk characteristics. Thirdly, the Bank continued to develop a compliance culture. Through various forms including face-to-face training, videos, portal website publicity, warning education, the Bank carried out compliance culture promotion, rooted in the concept of "compliance on the part of everyone", and further enhanced employees' awareness of compliance. Fourthly, the Bank carried out a "look back" work on to rectify chaotic situations in accordance with the requirements of the China Securities Regulatory Commission, and implemented comprehensive rectification in terms of macro policy implementation, equity and corporate governance, credit management, shadow banking and cross-financial business, innovative business, rectification and accountability, so as to standardise compliance operations.



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5.4.9 Money Laundering Risk

The Bank actively built a money laundering risk management culture, promoted all employees to establish awareness of money laundering risk prevention, and created an anti-money laundering work environment with active management and compliance operations.

During the Reporting Period, the Bank continued to deepen the management of money laundering risk, earnestly performed anti-money laundering responsibilities, kept up with the overall layout and changes in situation of anti-money laundering, and continued to deepen the management system construction based on strengthening system construction and as secured by improving system construction, and the overall level of anti-money laundering work of the Bank improved steadily. Firstly, the Bank strengthened the construction of the anti-money laundering system, continued the “internalisation of external regulations” for the system. The Bank thoroughly implemented various anti-money laundering laws and regulations to effectively improve the money laundering risk management and control capabilities of the Bank. Secondly, the Bank continuously improved its technological support capabilities, continued to promote the construction of business systems, initiated the overall upgrade and transformation of the anti-money laundering system, improved technical means, and enhanced the efficiency of anti-money laundering work through optimising the system model. Thirdly, the Bank further promoted the management of customer information, took effective measures to further improve the completeness, authenticity and accuracy of customer information. Fourthly, the Bank enhanced the effectiveness of supervision and inspection. The Bank stepped up the effort in inspections, supervised and inspected various anti-money laundering businesses, discovered problems in a timely manner, and supervised the timely rectification of the same to improve the performance of the entire bank. Fifthly, the Bank increased its control over high-risk businesses. In line with business development, the Bank continued to improve business operation procedures to effectively prevent money laundering risks. Sixthly, the Bank strengthened anti-money laundering training. The Bank innovated training methods, broadened the scope of training to enhance the awareness of risk prevention of all its personnel. Seventhly, the Bank effectively implemented anti-money laundering publicity activities. The Bank made full use of online media platforms such as WeChat Official Accounts and DouYin to carry out extensive anti-money laundering publicity activities of various forms to further improve the public’s understanding of anti-money laundering work and fulfill the legal obligations of a financial institution.

5.4.10 Country-specific Risk Management

Country-specific risks represent the risks of economic, political and social changes and developments in a country or region that may cause borrowers or debtors in that country or region to be unable or unwilling to fulfil their obligations to banking financial institutions, or incur loss to commercial presences of banking financial institutions in that country or region, or other loss to banking financial institutions.

During the Reporting Period, the Bank comprehensively promoted country-specific risk management. Firstly, the Bank integrated country-specific risks management into the comprehensive risk management system of the Bank, and based on the actual situation of the Bank’s business development, we established a country-specific risks management system that was compatible with the strategic objectives of the Bank, and the scale of exposure and complexity of our country-specific risks. Secondly, the Bank strengthened the multi-dimensional management of country-specific risks in identifying, measuring, monitoring and controlling country-specific risks. All business departments involved in country-specific risk were obliged to identify and monitor country-specific risks in their respective businesses in real time. In the event of any country-specific risk exposure, relevant departments shall promptly perform their reporting obligations. The control of country-specific risk covered all institutions of the Bank (including subsidiaries) that have cross-border asset



business. Thirdly, the Bank established a provision system for country-specific risk reserves. For overseas debt-based businesses, after fully considering the risk transfer and risk mitigation factors, the Bank made provision for the corresponding country-specific risk reserve according to classification of countries and regions and accounted the same as part of the Bank's asset impairment provision.

5.5 FUTURE OUTLOOK AND DEVELOPMENT STRATEGY

In 2020, the global economy has fallen into a deep recession due to the pandemic. With the constant surge in unilateralism and protectionism. The international landscape evolved at a rapid pace, and the world economy continued to decline. In the face of the severe internal and external environment, especially the severe headwinds of the COVID-19 pandemic, the whole country was united in preventing and controlling the pandemic and promoting development of the economy and society. China's economy was the first in the world to achieve recovery growth, not only becoming the only major economy in the world to achieve positive growth, but also continuously injecting vitality into global economic development, demonstrating the great resilience and development potential of China's economy. Against this backdrop, China has further adopted a prudent monetary policy, ensuring "stability on six fronts", implementing the "security in six areas" policy, and guiding commercial banks to focus on the source of finance, reducing the financing cost of enterprises, and improving financial service standards for the real economy to provide strong financial support for the upgrade of economic transformation and high quality development.

In 2021, there are still uncertainties in the global economy and financial market, but opportunities are greater than challenges. Firstly, in line with the official launch of China's 14th Five-Year Plan, the Chinese government will promote various initiatives, such as consumption upgrade, infrastructure construction, the modernization of industry supply chain and digital development, accelerating construction of the new development pattern which is based on the mutual promotion between domestic macro-circulation and international and domestic dual-circulation, to provide a broader development space for the banking industry. Secondly, the macro policy of "making steady progress", improving quality, efficiency and sustainability of financial policies, increasing the flexibility, precision and reasonableness of monetary policies, and macro policies have remained constant, stable and sustainable. Thirdly, regional economic development is expected to improve with steady implementation of a new round of revitalization strategies in Northeastern China, improving the regional business environment, and bringing new opportunities to the banking industry.

In 2021, the Bank will accurately identify and grasp the new trend and characteristics of economic and financial development, and enter into a new development stage, implement new development concepts and build a new development pattern. In response to the upgrade of national industries and economic structural adjustment, the Bank will integrate itself with the overall national and regional development, highlight the concept of development and build our business advantages under the guidance of the strategy of "being a sound bank". We will strengthen risk management, technological empowerment, make full use of our advantages in market-based system and mechanism, and continue to promote system, cultural and organizational development. We will actively perform our social responsibilities as a financial enterprise to achieve balanced development in efficiency, quality and scale.



SIGNIFICANT EVENTS

RELATED PARTY TRANSACTIONS

No material related party transaction that has adverse impact on the Bank's business results and financial position occurred during the Reporting Period.

MATERIAL LITIGATION AND ARBITRATION

During the Reporting Period, the Bank was not involved in any litigation or arbitration that would materially affect its business operations.

PUNISHMENT ON THE BANK AND ITS DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

During the Reporting Period, none of the Bank, the Directors, the Supervisors or the senior management of the Bank was subject to any investigation, administrative penalty or public criticism by the China Securities Regulatory Commission (the "CSRC") or the CBIRC, or any public censure by any securities exchange, or any punishment by any other regulatory authorities which would have a material impact on the Bank's operations.

ACQUISITION AND DISPOSAL OF ASSETS AND BUSINESS MERGER

During the Reporting Period, the Bank did not conduct any acquisition and disposal of assets or any business merger.

REPAYMENT OF THE RELEVANT RECEIVABLES BY SHENYANG HENGXIN

Reference is made to pages 164 to 165 of the prospectus of the Bank dated 15 December 2014 (the "Prospectus") in connection with the global offering of H Shares. As disclosed in the Prospectus, on 8 October 2014, Shenyang Hengxin undertook to the Bank that, among others, it will use the proceeds from disposing of the Shares it held to repay the outstanding balance of a loan in the amount of RMB1,723 million (such loan is classified as "Other Receivables" as the loan is interest-free) (the "Relevant Receivables") owed by Shenyang City Infrastructure Construction Investment Development Co., Ltd. (瀋陽市城市基礎設施建設投資發展有限公司) ("Shenyang City Construction") in full within two years from the date on which the H Shares first commenced trading on the Hong Kong Stock Exchange.

Reference is also made to (i) the circular of the Bank dated 5 August 2015 in relation to the proposed plan for the A Share Offering; and (ii) the announcements of the Bank dated 5 July 2015, 27 August 2015, 27 November 2015 and 30 November 2015 in relation to, among other things, the A Share Offering. As confirmed by the Bank's PRC legal advisers, pursuant to the relevant PRC laws and regulations as well as the regulatory requirements of the CSRC and the relevant stock exchange, Shenyang Hengxin, as a major holder of Domestic Shares, is not allowed to dispose of any Domestic Shares held by it before completion of the A Share Offering. In addition, the Domestic Shares held by Shenyang Hengxin will be subject to lock-up for 36 months from completion of the A Share Offering (the "Lock-up Period"). After negotiation among the Bank, Shenyang City Construction and Shenyang Hengxin regarding repayment of the outstanding balance of the Relevant Receivables, on 11 November 2016, Shenyang Hengxin provided a supplemental undertaking to the Bank that: (i) Shenyang Hengxin will continue to perform its obligations (including using the proceeds from disposal of a portion of the Shares it held to repay the outstanding balance of the Relevant Receivables) to repay the outstanding balance of the Relevant Receivables in full within 24 months from the expiry of the Lock-up Period; and (ii) without the Bank's written consent, Shenyang Hengxin will not dispose of any Shares it held, nor will it pledge or transfer any or all of such Shares or create any encumbrances on such Shares prior to the full repayment of the outstanding balance of the Relevant Receivables.

Reference is further made to (i) the announcement of the Bank dated 31 March 2017 in relation to the withdrawal of its A-share listing application; and (ii) the announcement of the Bank dated 13 April 2017 in relation to the repayment of the Relevant Receivables by Shenyang Hengxin. The Bank and Shenyang Hengxin have been proactively pushing forward the relevant work related to the repayment of the Relevant Receivables, including but not limited to, going through the relevant approval procedures in accordance with the applicable PRC laws and regulations, with a view to implement the repayment of the Relevant Receivables.

As at the end of the Reporting Period, the outstanding balance of the Relevant Receivables was approximately RMB654 million, and the balance of the impairment provision was RMB260 million.

AMENDMENTS TO ARTICLES OF ASSOCIATION

Reference is made to: (I) the announcement of the Bank dated 28 August 2020; (II) the circular of the Bank dated 4 September 2020 in relation to, among other things, the proposed amendments to the Articles of Association; (III) the poll result announcement of the Bank of the 2020 first extraordinary general meeting dated 20 October 2020 in relation to, among other things, the resolution on the approval of the relevant amendments to the Articles of Association by Shareholders at the 2020 first extraordinary general meeting of the Bank; and (IV) the announcement of the Bank dated 15 January 2021 in relation to the said amendments to the Articles of Association were approved by the Liaoning Bureau of China Banking and Insurance Regulatory Commission on 14 January 2021, and came into effect on the same date.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

At the end of the Reporting Period, the Bank had a total of 8,796,680,200 Shares, comprising 6,455,937,700 Domestic Shares and 2,340,742,500 H Shares. During the Reporting Period, there were no changes in the such shares.

	31 December 2019		Changes during the Reporting Period			31 December 2020	
	Number	Percentage (%)	Issue of new shares	Others	Sub-total	Number	Percentage (%)
1. Shareholding of Domestic Shares legal persons	6,334,189,139	72.01	Nil	194,950	194,950	6,334,384,089	72.01
Of which:							
1.1 Shareholding of state-owned legal persons	715,743,100	8.14	Nil	50,000,000	50,000,000	765,743,100	8.70
1.2 Shareholding of private legal persons	5,618,446,039	63.87	Nil	(49,805,050)	(49,805,050)	5,568,640,989	63.30
2. Shareholding of domestic natural persons	121,748,561	1.38	Nil	(194,950)	(194,950)	121,553,611	1.38
3. H Shares	2,340,742,500	26.61	Nil	Nil	Nil	2,340,742,500	26.61
Total	8,796,680,200	100.00	Nil	Nil	Nil	8,796,680,200	100.00

Note:

- Percentage figures in the table have been adjusted by rounding. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.
- As of the end of the Reporting Period, the total number of domestic shareholders of the Bank was 3,458, and the total number of H Share shareholders was 149. Among domestic shareholders, there are 37 state-owned legal person shareholders, 106 private legal person shareholders, and 3,315 natural person shareholders.



ISSUANCE OF DEBT SECURITIES

1. Debt Securities Issued

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB10 billion in the national inter-bank bond market on 4 December 2015. The term of maturity of such bonds is 10 years. The interest rate is calculated based on fixed interest rate per annum. The coupon rate is interest-bearing fixed rate of 4.57%. Interest on such bonds shall be paid once per year. Upon approval by the CBIRC, the Bank could choose to redeem the current bond in a lump sum at a whole or at a portion per the face value on the last day of the fifth interest calculating year for such bonds. The Bank exercised the issuer redemption option on 8 December 2020 to redeem all current bonds in a lump sum per face value.

The Bank issued tier-two capital bonds of commercial banks in the aggregate of RMB6 billion on the national inter-bank bond market on 18 December 2017. The term of maturity of such bonds is 10 years. The interest rate is calculated per annum based on fixed interest rate. The coupon rate is interest-bearing fixed rate of 4.90%. Interest on such bonds shall be paid once per year. Upon approval by the CBIRC, the Bank could choose to redeem all or part of the current bonds in a lump sum at the face value on the last day of the fifth interest calculating year for such bonds.

The Bank issued 2016 financial fixed rate bonds in the aggregate of RMB2 billion on 26 August 2016, with a term of maturity of 5 years and an annual coupon rate of 3.10%.

The Bank issued the first tranche of 2018 fixed-rate financial bonds in the aggregate of RMB12 billion on 15 August 2018, with a term of maturity of 3 years and an annual coupon rate of 4.35%.

The Bank issued the second tranche of 2018 fixed-rate financial bonds in the aggregate of RMB8 billion on 25 October 2018, with a term of maturity of 3 years and an annual coupon rate of 4.10%.

The Bank issued the third tranche of 2018 fixed-rate financial bonds in the aggregate of RMB6.9 billion on 26 November 2018, with a term of maturity of 3 years and an annual coupon rate of 3.98%.

2. Proposed Issuance of Debt Securities

The Board has resolved, and the Shareholders have approved at the 2019 annual general meeting of the Bank held on 5 June 2020 that, subject to necessary approval by the governmental and regulatory authorities, the Bank will issue financial bonds in the aggregate principal amount of up to RMB30 billion to members of the interbank bond market in China, of which the tier-two capital bonds will not exceed RMB15 billion, and other types of financial bonds will not exceed RMB15 billion. The term of maturity of such bonds shall not exceed 10 years (inclusive), and the tier-two capital bonds shall not be less than 5 years. The interest rate of the bonds will be determined with reference to the market interest rate. The proceeds from the issuance of the bonds, after deducting issuance expenses, will be used to optimise the debt and capital structure, stabilise the sources of medium and long term funds, and support the development of medium and long term asset business. The funds raised from tier-two capital bonds will be used to enrich the tier-two capital of the Bank and increase the level of capital adequacy, thereby supporting the sustained and steady development of the business.

The debt securities as mentioned above will not be listed on the Hong Kong Stock Exchange.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

PARTICULARS OF SHAREHOLDINGS

Particulars of Shareholdings of the top ten Shareholders of Domestic Shares as at 31 December 2020

At the end of the Reporting Period, the Bank had a total number of 8,796,680,200 Shares, comprising 6,455,937,700 Domestic Shares and 2,340,742,500 H Shares.

No.	Name of Shareholder	Nature of Shareholder	Total number of Shares held	Percentage of the total share capital of the Bank (%)	Number of Shares pledged
1	Evergrande Group (Nan Chang) Co., Ltd. (恒大集團(南昌)有限公司) ("Evergrande Nan Chang")	Private	3,201,680,000	36.40	0
2	Shenyang Hengxin	State-owned	479,836,334	5.45	0
3	Liaoning Huibao International Investment Group Co., Ltd. (遼寧匯寶國際投資集團有限公司) ("Huibao International")	Private	400,000,000	4.55	400,000,000
4	Xinhu Zhongbao Co., Ltd. (新湖中寶股份有限公司) ("Xinhu Zhongbao")	Private	300,000,000	3.41	80,000,000
5	Founder Securities Co., Ltd. (方正證券股份有限公司) ("Founder Securities")	Private	300,000,000	3.41	0
6	Shanghai Changxin Group Co., Ltd. (上海昌鑫(集團)有限公司)	Private	200,000,000	2.27	0
7	Luenmei Group Co., Ltd. (聯美集團有限公司) ("Luenmei Group")	Private	200,000,000	2.27	0
8	Shenyang Zhongyou Tianbao (Group) Materials and Equipment Co., Ltd. (瀋陽中油天寶(集團)物資裝備有限公司) ("Zhongyou Tianbao")	Private	190,000,000	2.16	0
9	Shenyang Dayang Decoration Engineering Co., Ltd. (瀋陽大洋裝飾工程有限公司)	Private	120,000,000	1.36	59,760,000
10	Shenyang Wuai Industrial Co., Ltd. (瀋陽五愛實業有限公司)	State-owned	118,159,093	1.34	0
Total			5,509,675,427	62.63	539,760,000

Note: Percentage figures in the table have been subject to rounding adjustments. Therefore, the total figures shown in the table are not necessarily the arithmetical sum of their previous figures.



INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

1. Interests of Substantial Domestic Shareholders

As at 31 December 2020, to the knowledge of the Directors after making reasonable enquiries, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the Domestic Shares and underlying Shares of the Bank under Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of Domestic Shares held	Percentage of the total number of Domestic Shares (%)	Percentage of the total share capital of the Bank (%)
China Evergrande Group ⁽¹⁾	Interest of a controlled corporation	3,201,680,000 (Long position)	49.59	36.40
Shenyang Hengxin ⁽²⁾	Beneficial owner	479,836,334 (Long position)	7.43	5.45
Shenyang Industrial Investment Development Group Co., Ltd. ⁽²⁾	Interest of a controlled corporation	479,836,334 (Long position)	7.43	5.45
Huibao International ⁽³⁾	Beneficial owner	400,000,000 (Long position)	6.20	4.55
Chenjingyi (Beijing) Cultural Development Co., Ltd. ⁽³⁾	Interest of a controlled corporation	400,000,000 (Long position)	6.20	4.55
Li Yuguo ⁽³⁾	Interest of a controlled corporation	400,000,000 (Long position)	6.20	4.55

Notes :

- (1) China Evergrande Group (a Hong Kong listed company registered in the Cayman Islands; Stock Code: 3333) was interested in 3,201,680,000 Domestic Shares, which were held by its indirect wholly-owned subsidiary, Evergrande Nan Chang.
- (2) According to the register of shareholders of the Bank as of 31 December 2020, Shenyang Hengxin held 479,836,334 Domestic Shares. Shenyang Hengxin was wholly owned by Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司). Shenyang Industrial Investment Development Group Co., Ltd. was wholly owned by State-owned Assets Supervision and Administration Commission of Shenyang Municipal Government. By virtue of the SFO, Shenyang Industrial Investment Development Group Co., Ltd. is deemed to be interested in the Shares held by Shenyang Hengxin.
- (3) According to the register of shareholders of the Bank as of 31 December 2020, Huibao International held 400,000,000 Domestic Shares. Huibao International was wholly owned by Chenjingyi (Beijing) Cultural Development Co., Ltd., which was in turn controlled by Mr. Li Yuguo (李玉國) as Chenjingyi (Beijing) Cultural Development Co., Ltd. is accustomed to act in accordance with Mr. Li Yuguo's (李玉國) direction pursuant to a relevant agreement entered into between Mr. Li Yuguo (李玉國) and Chenjingyi (Beijing) Cultural Development Co., Ltd. By virtue of the SFO, Chenjingyi (Beijing) Cultural Development Co., Ltd. and Li Yuguo (李玉國) are deemed to be interested in the Shares held by Huibao International.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

2. Interests of Substantial H Shareholders

As at 31 December 2020, to the knowledge of the Directors after making reasonable enquiries, the interests of substantial shareholders (as defined under the SFO), other than the Directors, Supervisors or chief executive, in the H Shares and underlying Shares of the Bank under Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name of Shareholder	Nature of interests	Number of H Shares held	Percentage of the total number of H Shares (%)	Percentage of the total share capital of the Bank (%)
Zhengbo Holdings Limited ⁽¹⁾	Beneficial owner	400,000,000 (Long position)	17.09	4.55
Suen Cho Hung, Paul ⁽¹⁾	Interest of a controlled corporation/Beneficial owner	420,898,500 (Long position)	17.98	4.78
Future Capital Group Limited ⁽²⁾	Beneficial owner	400,000,000 (Long position)	17.09	4.55
Lo Ki Yan, Karen ⁽²⁾	Interest of a controlled corporation/Beneficial owner	410,610,000 (Long position)	17.54	4.67
Cheung Chung Kiu ⁽³⁾	Interest of a controlled corporation/Beneficial owner	324,651,500 (Long position)	13.87	3.69
Murtsa Capital Limited ⁽⁴⁾	Beneficial owner	203,676,000 (Long position)	8.70	2.32
Satinu Resources Group Ltd. ⁽⁴⁾	Interest of a controlled corporation	204,284,000 (Long position)	8.73	2.32
Oshidori International Holdings Limited ⁽⁵⁾	Interest of a controlled corporation	193,034,000 (Long position)	8.25	2.19
Cheng Yu Tung Family (Holdings II) Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Cheng Yu Tung Family (Holdings) Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook (Holding) Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Capital Limited ⁽⁶⁾	Interest of a controlled corporation	179,518,060 (Long position)	7.67	2.04
Chow Tai Fook Nominee Limited ⁽⁶⁾	Interest of a controlled corporation/Beneficial owner	179,518,060 (Long position)	7.67	2.04



Notes :

- (1) Suen Cho Hung, Paul directly held 20,898,500 H Shares of the Bank. Zhengbo Holdings Limited held 400,000,000 H Shares of the Bank. Zhengbo Holdings Limited was wholly owned by Suen Cho Hung, Paul. By virtue of the SFO, Suen Cho Hung, Paul is deemed to be interested in the Shares held by Zhengbo Holdings Limited.
 - (2) Lo Ki Yan, Karen directly held 610,000 H Shares of the Bank. Future Capital Group Limited held 400,000,000 H Shares of the Bank. Future Capital Group Limited was wholly owned by Lo Ki Yan, Karen. Planetree Treasury Ltd indirectly held 10,000,000 H Shares of the Bank. Planetree Treasury Ltd was owned as to 68.08% by Lo Ki Yan, Karen. By virtue of the SFO, Lo Ki Yan, Karen is deemed to be interested in the Shares held by Future Capital Group Limited and Planetree Treasury Ltd.
 - (3) Cheung Chung Kiu directly held 299,651,500 H Shares of the Bank. Worthwell Investments held 25,000,000 H Shares of the Bank. Worthwell Investments Limited was wholly owned by Mighty Gain Enterprise Limited; Might Gain Enterprises Limited was wholly owned by CC Land Holdings Limited; CC Land Holdings Limited was held as to 52.99% by Fame Seeker Holdings Limited; Fame Seeker Holdings Limited was wholly owned by Windsor Dynasty Limited; Windsor Dynasty Limited was wholly owned by Chueng Chung Kiu. By virtue of the SFO, Mighty Gain Enterprises Limited, CC Land Holdings Limited, Fame Seeker Holdings Limited, Windsor Dynasty Limited and Cheung Chung Kiu are deemed to be interested in the Shares held by Worthwell Investments Limited.
 - (4) Murtsa Capital Limited held 203,676,000 H Shares of the Bank. Murtsa Capital Limited was wholly owned by Satinu Capital (HK) Limited; Satinu Capital (HK) Limited was wholly owned by Satinu Holdings Limited; Satinu Holdings was wholly owned by Satinu Resources Group Ltd. By virtue of the SFO, Satinu Capital (HK) Limited, Satinu Holdings Limited and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Murtsa Capital Limited. Satinu Markets Limited held 608,000 H Shares of the Bank. Satinu Markets Limited was wholly owned by Satinu Holdings Limited; Satinu Holdings Limited was wholly owned by HEC Securities Company Limited; HEC Securities Company Limited was wholly owned by Satinu Resources Group Ltd. By virtue of SFO, Satinu Holdings Limited, HEC Securities Company Limited and Satinu Resources Group Ltd. are deemed to be interested in the Shares held by Satinu Markets Limited.
 - (5) Smart Jump Corporation (registered in British Virgin Islands) held 3,034,000 H Shares of the Bank. Smart Jump Corporation (registered in British Virgin Islands) was wholly owned by Smart Jump Corporation (registered in Cayman Islands); Smart Jump Corporation (registered in Cayman Islands) was wholly owned by Smart Jump Corporation (registered in Marshall Islands); Smart Jump Corporation (registered in Marshall Islands) was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Smart Jump Corporation (registered in Cayman Islands), Smart Jump Corporation (registered in Marshall Islands), Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Smart Jump Corporation (registered in British Virgin Islands).
- Nu Kenson Limited held 190,000,000 H Shares of the Bank. Nu Kenson Limited was wholly owned by Win Wind Intermediary Financial Services Limited; Win Winds Intermediary Financial Services Limited was wholly owned by Win Wind Capital Limited; Win Wind Capital Limited was wholly owned by Oshidori International Holdings Limited. By virtue of the SFO, Win Wind Intermediary Financial Services Limited, Win Wind Capital Limited and Oshidori International Holdings Limited are deemed to be interested in the Shares held by Nu Kenson Limited.



CHANGE IN SHARE CAPITAL AND SHAREHOLDERS

- (6) Acemax Enterprises Limited held 50,776,620 H Shares of the Bank. Acemax Enterprises Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of SFO, Chow Tai Fook Nominee Limited was deemed to be interested in the Shares held by Acemax Enterprises Limited.

Oceanic Fortress Limited holds 76,164,940 H Shares of the Bank. Oceanic Fortress Limited was wholly owned by Chow Tai Fook Nominee Limited. By virtue of the SFO, Chow Tai Fook Nominee Limited is deemed to be interested in the Shares held by Oceanic Fortress Limited.

Chow Tai Fook Nominee Limited directly held 52,576,500 H Shares of the Bank. Chow Tai Fook Nominee Limited was held as to 99.90% by Chow Tai Fook (Holding) Limited; Chow Tai Fook (Holding) Limited was held as to 81.03% by Chow Tai Fook Capital Limited; Chow Tai Fook Capital Limited was held as to 48.98% and 46.65% by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited respectively. By virtue of the SFO, Chow Tai Fook (Holding) Limited, Chow Tai Fook Capital Limited, Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited are deemed to be interested in the Shares held by Chow Tai Fook Nominee Limited.

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

SHAREHOLDERS HOLDING 5% OR MORE OF THE TOTAL SHARE CAPITAL

As at the end of the Reporting Period, Evergrande Nan Chang and Shenyang Hengxin held 3,201,680,000 Domestic Shares and 479,836,334 Domestic Shares of the Bank, respectively, representing 36.40% and 5.45% of the Bank's total share capital, respectively.



INFORMATION ON SUBSTANTIAL SHAREHOLDERS OF DOMESTIC SHARES AND DE FACTO CONTROLLERS

Below is the information on the Bank's substantial shareholders and their controlling shareholders, de facto controllers, related parties, persons acting in concert and ultimate beneficiaries as at the end of the Reporting Period. For the definition of relevant concepts, please see the relevant requirements of the Interim Measures for the Shareholding Management of Commercial Banks (《商業銀行股權管理暫行辦法》) issued by the CBIRC.

No.	Name of shareholder	Number of Shares held	Shareholding percentage	Reasons of being a substantial shareholder	Number of shares pledged (number)	Controlling shareholder	De facto controller	Parties acting in concert	Ultimate beneficial owner
1	Evergrande Nan Chang	3,201,680,000	36.40%	Holding 5% of more of the Bank's shares, being appointed director	0	China Evergrande Group	Hui Ka Yan	Nil	Evergrande Nan Chang
2	Shenyang Hengxin	479,836,334	5.45%	Holding 5% of more of the Bank's shares, being appointed director	0	Shenyang Industrial Investment Development Group Co., Ltd. (瀋陽產業投資發展集團有限公司)	State-owned Assets Supervision and Administration Commission of Shenyang Municipal Government	Nil	Shenyang Hengxin
3	Founder Securities	300,000,000	3.41%	Appointed director	0	Peking University Founder Group Co., Ltd. (北大方正集團有限公司)	Peking University	Nil	Founder Securities
4	Luenmei Group	200,000,000	2.27%	Appointed director	0	Lhasa Economic and Technological Development Zone Lianmei Holdings Co., Ltd. (拉薩經濟技術開發區聯美控股有限公司)	Su Zhuangqiang	Nil	Luenmei Group
5	Zhongyou Tianbao	190,000,000	2.16%	Appointed director	0	Liu Xinfu	Liu Xinfu	Nil	Zhongyou Tianbao
6	Liaoning Huafeng Investment Co., Ltd. (遼寧華峰投資有限公司)	100,000,000	1.14%	Appointed director	0	Bao Lijun	Bao Lijun	Nil	Liaoning Huafeng Investment Co., Ltd.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

BASIC INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

As at the Latest Practicable Date, the Directors, Supervisors and senior management of the Bank comprised:

Name	Age	Position
Mr. QIU Huofa (邱火發)	60	Executive Director, Chairman of the Board
Mr. SHEN Guoyong (沈國勇)	50	Executive Director, President
Ms. ZHANG Jun (張琨)	50	Executive Director, Vice President
Mr. SHI Yang (石陽)	56	Executive Director, member of the Party committee
Ms. LI Ying (李穎) ^{Note 1}	53	Executive Director, Vice President and Chief Risk Officer
Mr. SU Qingxiang (蘇慶祥) ^{Note 2}	55	Non-executive Director, Vice Chairman of the Board
Mr. LIANG Zhifang (梁志方)	49	Non-executive Director
Mr. ZHU Jialin (朱加麟)	56	Non-executive Director
Mr. PAN Darong (潘大榮) ^{Note 3}	48	Non-executive Director
Mr. JI Kun (季昆)	43	Non-executive Director
Mr. NI Guoju (倪國巨)	66	Independent Non-executive Director
Mr. KEUNG Chak (姜策)	60	Independent Non-executive Director
Mr. TAI Kwok Leung, Alexander (戴國良)	63	Independent Non-executive Director
Mr. XING Tiancai (邢天才)	59	Independent Non-executive Director
Mr. LI Jinyi (李進一)	57	Independent Non-executive Director
Mr. HAN Li (韓力)	59	Shareholder Representative Supervisor, Chief Supervisor
Mr. YUEN Wing Shing (袁永誠)	74	Shareholder Representative Supervisor
Mr. PAN Wenge (潘文戈)	54	Shareholder Representative Supervisor
Mr. BA Junyu (巴俊宇)	65	External Supervisor
Mr. SUN Hang (孫航)	54	External Supervisor
Ms. CHENG Hua (程華)	41	External Supervisor
Mr. YU Xiaolong (于小龍)	43	Employee Representative Supervisor
Mr. NIU Jiao (牛角)	44	Employee Representative Supervisor
Ms. XU Li (徐麗)	49	Employee Representative Supervisor
Mr. Wang Yigong (王亦工)	54	Vice President
Mr. ZHANG Xuewen (張學文)	53	Vice President
Mr. ZHU Yanbing (朱延冰) ^{Note 4}	44	Assistant to President
Mr. YANG Liya (楊利亞)	57	Chief Approval Officer
Mr. ZHOU Zhi (周峙)	52	Secretary to the Board
Ms. LI Zheng (歷峙)	35	Human Resources Director
Mr. BAO Hong (包宏)	49	Chief Financial Officer
Mr. SUN Yingpin (孫英品)	46	Retail Business Director

Note 1: The eligibility of Ms. LI Ying as the Vice President is subject to formal approval by the CBIRC Liaoning Bureau.

Note 2: The eligibility of Mr. SU Qingxiang as the Vice Chairman of the Board is subject to formal approval by the CBIRC Liaoning Bureau.

Note 3: The election of Mr. Pan Darong as a non-executive Director is subject to the approval by the Shareholders at the general meeting of the Bank. The eligibility of Mr. Pan as a non-executive Director is subject to formal approval by the CBIRC Liaoning Bureau.

Note 4: The eligibility of Mr. ZHU Yanbing as the assistants to president is subject to formal approval by the CBIRC Liaoning Bureau.



CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Changes in Directors and Senior Management

Reference is made to the announcement of the Bank dated 17 January 2020. Mr. ZHANG Qiang has resigned from the positions of the president, an executive Director of the Bank, the vice chairman of the risk control and consumers' rights protection committee of the Board and a member of the strategic development committee of the Board with effect from 17 January 2020 due to change of work.

Mr. XIAO Ruiyan was nominated as a candidate for executive Director and was appointed as the president of the Bank at the Board meeting on 17 January 2020. Reference is made to the announcement of the Bank dated 29 May 2020 regarding the ratification of the eligibility of Mr. XIAO to serve as the president of the Bank by the CBIRC Liaoning Bureau. The term of office of Mr. XIAO commenced from 27 May 2020. Reference is made to the announcement of the Bank dated 6 July 2020 regarding the resignation of Mr. XIAO Ruiyan from the position of president of the Bank with effect from 6 July 2020 due to change of work. Therefore, the resolution to elect Mr. XIAO Ruiyan as an executive Director of the Bank was not proposed to the general meeting of the Bank for consideration.

Mr. LI Xin resigned from serving as the vice president of the Bank in February 2020.

After the resolution of the Board of Directors, Ms. ZHANG Jun was appointed as the vice president of the Bank on 27 March 2020. The eligibility of Ms. ZHANG Jun was officially approved by the CBIRC Liaoning Bureau on 19 August 2020.

After the resolution of the Board of Directors, Ms. LI Ying was appointed as the chief risk officer of the Bank on 27 March 2020. The eligibility of Ms. LI Ying was officially approved by the CBIRC Liaoning Bureau on 3 July 2020. After the resolution of the Board of Directors, Ms. LI Ying was appointed as the vice president of the Bank on 30 March 2021. The eligibility of Ms. LI Ying is subject to the ratification by the CBIRC Liaoning Bureau.

After the resolution of the Board of Directors, Ms. LI Zheng was appointed as the human resources director of the Bank on 27 March 2020.

After the resolution of the Board of Directors, Mr. BAO Hong was appointed as the chief financial officer of the Bank on 27 March 2020. The eligibility of Mr. BAO Hong was officially approved by the CBIRC Liaoning Bureau on 3 July 2020.

After the resolution of the Board of Directors, Mr. ZHU Yanbing was appointed as the assistant to president of the Bank on 20 October 2020. The eligibility of Ms. ZHU Yanbing is subject to the ratification by the CBIRC Liaoning Bureau.

After the resolution of the Board of Directors, Mr. YANG Liya was appointed as the chief approval officer of the Bank on 20 October 2020. The eligibility of Ms. YANG Liya was officially approved by the CBIRC Liaoning Bureau on 14 January 2020.

After the resolution of the Board of Directors, Mr. SUN Yingpin was appointed as the retail business director of the Bank on 20 October 2020.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Reference is made to the announcement of the Bank dated 28 August 2020, in relation to, among other things, proposed re-election and election of Directors and Supervisors. The term of the sixth session of the Board of the Bank was expired. Mr. WANG Yigong and Mr. WU Gang ceased to serve as executive Directors; Mr. ZHANG Qiyang, Mr. LIU Yanxue, Mr. LI Jianwei, Mr. LI Yuguo, Mr. YUEN Wing Shing and Mr. ZHAO Weiqing ceased to serve as non-executive Directors.

At the 2020 first extraordinary general meeting of the Bank held on 20 October 2020, the composition of the seventh session of the Board of the Bank was confirmed upon approval by shareholders. Among them, Mr. QIU Huofa, Mr. SHEN Guoyong, Ms. ZHANG Jun, Mr. SHI Yang and Ms. LI Ying were appointed as executive Directors of the Bank; Mr. SU Qingxiang, Mr. LIANG Zhifang, Mr. ZHU Jialin and Mr. JI Kun were appointed as non-executive Directors of the Bank; and Mr. NI Guoju, Mr. KEUNG Chak, Mr. TAI Kwok Leung, Alexander, Mr. XING Tiancai and Mr. LI Jinyi were appointed as independent non-executive Directors of the Bank. After the resolution of the Board of Directors, Mr. QIU Huofa was elected as the chairman of the Board. Mr. SU Qingxiang was nominated as the vice chairman of the Bank at the board meeting on 20 October 2020, and his eligibility is subject to ratification by the CBIRC Liaoning Bureau.

The composition of various committees under the seventh session of the Board of the Bank has also been formed by election. The Strategic Development Committee consists of four Directors, with Mr. QIU Huofa to serve as the director, Mr. SU Qingxiang as the deputy director, and Mr. SHEN Guoyong and Mr. LI Jinyi as members. The Nomination and Remuneration Committee consists of five Directors, with Mr. NI Guoju as the director, Mr. QIU Huofa as the deputy director, and Mr. ZHU Jialin, Mr. KEUNG Chak and Mr. LI Jinyi as members. The Risk Control and Consumer Rights Protection Committee consists of five Directors, with Mr. XING Tiancai to serve as the director, Mr. SHEN Guoyong as the deputy director, and Ms. LI Ying, Mr. JI Kun and Mr. TAI Kwok Leung, Alexander as members. The Related Party Transaction Control Committee consists of five Directors, with Mr. LI Jinyi to serve as the director, Ms. ZHANG Jun as the deputy director, and Mr. SHI Yang, Mr. NI Guoju and Mr. XING Tiancai as members. The Audit Committee consists of five Directors, with Mr. TAI Kwok Leung, Alexander to serve as the director, Mr. LIANG Zhifang as the deputy director, and Mr. ZHU Jialin, Mr. KEUNG Chak and Mr. XING Tiancai as members.

The CBIRC Liaoning Bureau has ratified the eligibility of Mr. SHEN Guoyong, Ms. ZHANG Jun, Mr. SHI Yang, Ms. LI Ying, Mr. SU Qingxiang, Mr. LIANG Zhifang, Mr. ZHU Jialin and Mr. JI Kun to serve as Directors of the Bank. The term of office of such directorship has become effective commencing from 12 March 2021.

Reference is made to the announcement of the Bank dated 30 March 2021 regarding the resignation of Ms. JIANG Liming from the position of proposed non-executive Director of the Bank and the proposed member of the Strategic Development Committee of the Board due to personal reasons. In order to fill in the vacancy resulting from the resignation of Ms. JIANG Liming as a proposed non-executive Director, Mr. PAN Darong was nominated as a candidate for non-executive Director at the Board meeting on 30 March 2021, his election will be proposed at the general meeting for approval by Shareholders, and his eligibility is subject to ratification by the CBIRC Liaoning Bureau.



2. Changes in Supervisor

Reference is made to the announcement of the Bank dated 28 August 2020, in relation to, among other things, proposed re-election and election of Directors and supervisors, and the poll results announcement of the Bank on the voting results of the 2020 first extraordinary general meeting dated 20 October 2020. The term of the sixth session of the Board of Supervisors of the Bank was expired. Mr. LIU Huidi and Mr. YU Haobo ceased to serve as Shareholder Representative supervisors; Mr. DAI Qiang ceased to serve as an External Supervisor; Mr. Yang Liya, Mr. SHI Yang and Mr. WANG Lijun ceased to serve as Employee Representative supervisors of the Bank.

At the 2020 first extraordinary general meeting of the Bank held on 20 October 2020, the shareholder representative Supervisors and External Supervisors of the seventh session of the Board of Supervisors of the Bank were confirmed upon approval by shareholders. Among them, Mr. HAN Li, Mr. YUEN Wing Shing and Mr. PAN Wenge were appointed as shareholder representative supervisors of the seventh session of the Board of Supervisors, and Mr. BA Junyu, Mr. SUN Hang and Ms. CHENG Hua were appointed as External Supervisors of the seventh session of the Board of Supervisors.

At the meeting of representatives of employees of the Bank held on 19 October 2020, Mr. YU Xiaolong, Mr. NIU Jiao and Ms. XU Li were elected as Employee Representative Supervisors of the seventh session of the Board of Supervisors of the Bank.

At the meeting of Board of Supervisors of the Bank held on 20 October 2020, Mr. HAN Li was elected as the chairman of the seventh session of the Board of Supervisors.

The composition of various committees under the seventh session of the Board of Supervisors of the Bank has also been formed by election. The Supervisory Committee consists of five Supervisors, with Mr. BA Junyu to serve as the director, Mr. HAN Li as the deputy director, and Mr. PAN Wenge, Ms. CHENG Hua, and Mr. NIU Jiao as members. The Nomination Committee consists of five Supervisors, with Mr. SUN Hang to serve as the director, Mr. HAN Li as the deputy director, and Mr. YUEN Wing Shing, Mr. YU Xiaolong, and Ms. XU Li as members.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Biographies of Directors

Executive Directors

Mr. QIU Huofa (邱火發), aged 60, has been serving as the chairman of the Board, an executive Director of the Bank and the Party committee secretary since May 2019. Mr. QIU served as a non-executive Director of the Bank from May 2017 to May 2019 and as the vice chairman of the Board of the Bank from February 2018 to May 2019. From May 2016 to March 2019, Mr. QIU served as the executive vice president of Evergrande Group. From April 2001 to May 2016, he held various positions in different offices of China Everbright Bank. From September 2010 to May 2016, he successively served as a president assistant, the vice president and a Party committee member of its head office as well as the president and the Party committee secretary of its Beijing branch. From August 2007 to September 2010, he served as the president and a Party committee secretary of its Beijing branch. From November 2006 to August 2007, he served as the head of the business department and the Party committee secretary of its head office. From April 2001 to November 2006, he served as the president and the Party committee secretary of its Guangzhou branch. From December 1987 to April 2001, he held various positions in different offices of Bank of Communications. From March 2000 to April 2001, he served as the president and the Party leadership group secretary of its Changsha branch. From December 1987 to March 2000, he successively served as the section chief of the credit department, the head of a local office and a deputy director of its Wuhan branch, the president of its Wuchang sub-branch, and the vice president and a Party leadership group member of its Wuhan branch.

Mr. QIU graduated from Shijiazhuang Army Academy majoring in infantry commanding in September 1981 and received a master degree in finance from Zhongnan University of Economics and Law in June 2000. He has the senior economist title. He was awarded the "National May 1 Labour Medal for Finance Industry" and "National May 1 Labour Medal" in 2010 and 2011, respectively. In addition, he previously served as a deputy to the ninth National Party Congress from Guangdong and a deputy to the fifteenth People's Congress of Xicheng District, Beijing.



Mr. SHEN Guoyong (沈國勇), aged 50, was elected as an executive Director of the Bank in October 2020. Mr. SHEN has been serving as the president of the Bank since August 2020 and a Party Committee member of the Bank since May 2019. From January 2019 to July 2020, Mr. SHEN served as the vice president of the Bank and the Party Secretary and president of Beijing Branch, and has been serving as the executive vice president of the Bank since March 2020. From July 1992 to January 2019, Mr. SHEN held various positions at China CITIC Bank Corporation Limited ("China CITIC Bank"). From December 2014 to January 2019, he served as the general manager of the corporate business department of the head office of China CITIC Bank. From July 2013 to December 2014, he served as the general manager of the factoring business centre of the head office of China CITIC Bank. From March 2010 to July 2013, he served as the party secretary and the president of the Harbin branch of China CITIC Bank. From July 2005 to March 2010, he served as an assistant to general manager and a deputy general manager of the sales department of the head office of China CITIC Bank (Beijing branch). From January 1999 to July 2005, he served as the corporate credit division director and the general manager of the sales department of the head office of China CITIC Bank (Beijing branch). From July 1992 to January 1999, he served as the loan officer, the deputy section chief and the section chief of the credit department of the head office of China CITIC Bank.

Mr. SHEN obtained a bachelor's degree in economics from the China University of Finance (currently known as the University of International Business and Economics) in July 1992 and a master's degree in business administration from the Chinese University of Hong Kong in December 2007. Mr. SHEN has the senior economist title.

Ms. ZHANG Jun (張琨), aged 50, was elected as an executive Director of the Bank in October 2020. Ms. ZHANG has been serving as the vice president of the Bank and the chairman of Shengjing Bank Consumer Finance Co., Ltd, a subsidiary of the Bank, since August 2020, and has been serving as a member of the Party committee of the Bank since August 2019. From November 2019 to August 2020, Ms. ZHANG successively served as the chief risk officer of the Bank and director of Shengjing Bank Consumer Finance Co., Ltd. From July 2002 to August 2019, Ms. ZHANG held various positions at China Everbright Bank. From September 2013 to August 2019, Ms. ZHANG served as the director of the Auto Finance Center of the corporate business department, the approval officer of the credit approval department and the deputy general manager of the credit approval department of the head office of China Everbright Bank. From November 2006 to February 2007 and from August 2009 to September 2013, Ms. ZHANG served as the general manager of the retail business department of the Beijing branch and the general manager of the corporate business department of China Everbright Bank. From July 2002 to November 2006 and from February 2007 to August 2009, Ms. ZHANG served as the vice president and president of the Haidian sub-branch of China Everbright Bank. Prior to joining China Everbright Bank, from August 1992 to July 2002, Ms. ZHANG served as an appropriator of the second investment division, a loan officer of the credit division, the deputy general manager of the corporate customer department, the deputy general manager of the international business department, the general manager of Shangdi branch office and the general manager of corporate business department of China Construction Bank Beijing Haidian branch.

Ms. ZHANG obtained a bachelor's degree in economics from the Capital University of Economics and Business in July 1992, and a master's degree in economics from Renmin University of China in July 2003, and has the senior economist title.



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Mr. SHI Yang (石陽), aged 56, was elected as an executive Director of the Bank in October 2020. Mr. SHI has acted as a member of the Party committee of the Bank since February 2020, the secretary to the Party committee of Shenyang branch of the Bank since July 2015 and the president of the Shenyang branch since January 2015. He has been an employee representative supervisor of the Bank since June 2014. Mr. SHI joined the Huigong Credit Cooperative (惠工信用社), one of the Bank's predecessors, in March 1987 and has held a number of positions at the Bank (including its predecessors) since then. He also served as the deputy secretary to the Party committee of the Bank's Shenyang branch from January 2015 to July 2015. From July 2008 to January 2015, he successively worked as the president of Yuhong sub-branch, the vice president of Shenyang branch and the president of Dandong branch of the Bank. From January 2014 to September 2014, he served concurrently as the director of the preparatory office of Dandong branch. From January 2003 to July 2008, he served as the vice president of the Bank's Yuhong sub-branch. From February 2000 to January 2003, he held the positions of assistant to the president and vice president of the Bank's Yuanlu sub-branch. From April 1992 to February 2000, he served as the vice president of the Bank's Tiexi sub-branch. From March 1987 to April 1992, he successively worked as a credit clerk of the Huigong Credit Cooperative and a credit clerk at the credit and loan division of the Bank's head office.

Mr. SHI graduated from the Party School of the Liaoning Committee of the Chinese Communist Party (中共遼寧省委黨校) in March 1997, majoring in economic management, and obtained a diploma of post-graduation studies in political economics from Northeast Normal University in December 2000. He has the senior economist title.

Ms. LI Ying (李穎), aged 53, was elected as an executive Director of the Bank in October 2020. Ms. LI was engaged as the vice president of the Bank on 30 March 2021 with eligibility subject to the formal approval by the CBIRC Liaoning Bureau. Ms. LI has served as the chief risk officer of the Bank from July 2020, and served as a member of the Party committee of the Bank, the general manager of the legal security department, and the general manager of the Special Asset Management Center since June 2020. From December 1998 to March 2020, Ms. LI held various positions at China Everbright Bank. From October 2015 to March 2020, Ms. LI served successively as the deputy general manager of the risk management department, the deputy general manager and the deputy general manager (general manager level) of the special asset management department. From September 2010 to October 2015, Ms. LI served successively as the risk director, the vice president and the chairman of the labor union and a member of the Party committee in its Taiyuan branch. From January 2008 to September 2010, Ms. LI served as the risk director, the chairman of the labor union and a member of the Party Committee in its Changchun branch. From December 1998 to January 2008, Ms. LI successively served as the deputy general manager (in charge of work) and general manager of the sales department and the international business department, and the general manager of the risk management department in its Shenyang branch. Before joining China Everbright Bank, from June 1990 to December 1998, Ms. LI served as an Renminbi and foreign currency accountant, an international settlement staff and the deputy section chief of Shenhe sub-branch of Bank of China Shenyang branch.

Ms. LI obtained a bachelor's degree in engineering in industrial accounting from Nanjing University of Science and Technology in July 1990. Ms. LI holds the professional qualification of senior accountant and the professional qualification of senior certified credit analyst.



Non-executive Directors

Mr. SU Qingxiang (蘇慶祥), aged 55, was elected as a Non-executive Director and Vice Chairman of the Board of the Bank in October 2020. Mr. SU has been serving as the Party committee secretary, the chairman and the general manager of Shenyang Industrial Investment Development Group Co., Ltd. since August 2013. From March 2013 to August 2013, Mr. SU served as the preparatory group leader, the chairman and the general manager of Shenyang Industrial Investment Development Group Co., Ltd. From February 2009 to March 2013, Mr. SU served as the general manager and the chairman of Shenyang Infrastructure Construction and Development Group Co., Ltd. From November 2001 to February 2009, Mr. SU served as a Party leadership group member and the deputy director of the finance office of the Shenyang Municipal Government. From May 2000 to November 2001, Mr. SU served as the deputy director of the financial and economic office of the Standing Committee of the Shenyang Municipal People's Congress. From November 1999 to May 2000, Mr. SU successively served as a secretary (division level) of the general office of the Standing Committee of the Shenyang Municipal People's Congress. From May 1993 to November 1999, Mr. SU successively served as a staff member, a vice-minister level secretary and a minister level secretary of the first division of the secretariat of the general office of the Shenyang Municipal Government. From August 1987 to May 1993, Mr. SU served as a secretary of the office of the People's Bank of Liaoning Province.

Mr. SU graduated from Harbin Finance College (哈爾濱金融專科學院) with a major in city finance in August 1987 and obtained an MBA from Party School of Liaoning Provincial Party Committee in December 2008. Mr. SU has the intermediate economist title.

Mr. LIANG Zhifang (梁志方), aged 49, was elected as a Non-executive Director of the Bank in October 2020. Mr. LIANG has been serving as the Party committee secretary of Shenyang Hengxin. since August 2020. Since July 2020, Mr. LIANG has been serving as the chairman of Shenyang Hengxin. From April 2002 to July 2020, Mr. LIANG successively served as a deputy general manager, a deputy secretary of the Party committee, a secretary of the discipline inspection commission of Shenyang Hengxin. From January 2001 to April 2002, Mr. LIANG served as the manager of the operation department of Shenyang Hengxin Asset Management and Development Co., Ltd. Mr. LIANG served as a project manager of the technical transformation fund office of Shenyang Economic and Trade Commission from July 1997 to December 2000.

Mr. LIANG obtained a bachelor's degree in economics from Northeastern University in July 1995, a master's degree in engineering from the same university in September 1997, and a master's degree in public administration from Illinois Institute of Technology in August 2011. Mr. LIANG has the economist title.



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Mr. ZHU Jialin (朱加麟), aged 56, was elected as a Non-executive Director of the Bank in October 2020. Mr. ZHU has successively served as the vice president and the executive president of Evergrande Group Co., Ltd. since April 2018. From July 2018 to September 2019, Mr. ZHU was also the chairman of Evergrande Life Insurance Co., Ltd (恒大人壽公司). From September 2017 to April 2018, Mr. ZHU successively served as the executive vice president and president of Evergrande Financial Group. From March 2013 to September 2017, Mr. ZHU served as a member of the Party committee and the vice president of the head office of China CITIC Bank. From May 2000 to March 2013, Mr. ZHU successively served as the director and the deputy general manager, the chief operating officer, the director and the deputy chief executive officer of CITIC-Prudential Life Insurance Company Ltd. From October 1998 to May 2000, Mr. ZHU served as the chief collection officer and the general manager of asset management department of China CITIC Bank. From December 1997 to October 1998, Mr. ZHU served as the head of the insurance preparation team of CITIC. From January 1997 to December 1997, Mr. ZHU worked at Nippon Life Insurance and Sompo Japan Insurance Inc. for training. From August 1986 to January 1997, Mr. ZHU worked at the head office of China CITIC Bank, where he served successively as an office clerk, the deputy section chief and the secretary to the president. During the period from September 1988 to September 1989, he worked at Nomura Securities in Japan for training.

Mr. ZHU obtained a bachelor's degree in arts from Fudan University in July 1986. Mr. ZHU has the senior economist title.

Mr. PAN Darong (潘大榮), aged 48, was nominated as a candidate for non-executive Director in March 2021. The election of Mr. Pan as non-executive Director will be proposed at the general meeting of the Bank for approval by the shareholders of the Bank, subject to the approval of his eligibility by the CBIRC Liaoning Bureau. Mr. Pan has served as an executive director and the chief financial officer of China Evergrande Group (stock code: 3333) since May 2016. He is also the chief financial officer of Evergrande Health and Hengteng Network. Mr. Pan held various positions in Evergrande Real Estate Group from December 2006 to May 2016, including the deputy general manager of the financial center, the general manager of the financial department and vice president of its subsidiary in Guangdong. Mr. Pan served as the financial manager of Sino-Ocean Group Co., Ltd. (華龍遠洋股份有限公司) from October 1998 to December 2006, the accountant of Poly Southern Headquarter (保利南方總公司) from August 1996 to October 1998, and served as an accountant in the General Administration of Land Reclamation of Guangdong Province (廣東省農墾總局) from August 1994 to August 1996.

Mr. Pan obtained a bachelor's degree in Economics from Zhongnan University of Economics and Law (中南財經大學) in July 1994 and holds the title of accountant.

Mr. JI Kun (季昆), aged 43, was elected as a Non-executive Director of the Bank in October 2020. Mr. JI has served as the vice president and the general manager of the Capital Market Center of Evergrande Group Co., Ltd. since August 2020. From April 2020 to August 2020, Mr. JI served as an assistant to the president and the general manager of the Capital Market Center of Evergrande Group Co., Ltd. From November 2003 to April 2020, Mr. JI successively served as the general manager of the strategic customer department of Guangzhou branch, the Party branch secretary and the president of Zhujiangxincheng branch, the Party branch secretary and the general manager of the third customer department, and the vice president of Dongfeng sub-branch, the general manager of the second business development department of Shanghai Pudong Development Bank. From July 2002 to October 2003, Mr. JI served as the manager of the financial department of Huacheng sub-branch of China Minsheng Bank Guangzhou branch. From July 1999 to June 2002, Mr. JI served successively as the secretary of the Youth League Branch, the leader of the Party group, the head of the real estate business, and the customer manager of the corporate business division of the Bank of China Guangdong Branch.

Mr. JI obtained a bachelor's degree in engineering from Zhejiang University in June 1999.



Independent non-executive Directors

Mr. NI Guojun (倪國巨), aged 66, has been elected as an independent non-executive Director of the Bank since February 2018. Mr. NI served as the Party committee secretary of the Management School of Wuhan University of Science and Technology from March 2009 to April 2014. From January 2007 to March 2009, Mr. NI served as the Party committee secretary of the Continuing Education School of Wuhan University of Science and Technology. From October 2005 to January 2007, Mr. NI served as the director of the Department of Infrastructure of Wuhan University of Science and Technology. From December 1997 to October 2005, he served as the general manager of the Technology and Development Company of Wuhan University of Science and Technology. From July 1978 to December 1997, he successively served as an assistant lecturer and a lecturer, the deputy secretary of the Party branch, the Party committee secretary and the deputy director of the Department of Moral Education Wuhan Iron and Steel Institute (武漢鋼鐵學院) (renamed as Wuhan University of Science and Technology in 1995). Mr. NI has been serving as an independent director of Xiangyang Boya Precision Industrial Equipments Co., Ltd. (襄陽博亞精工裝備股份有限公司) since March 2020.

Mr. NI completed his studies in metallic materials and heat treatment in Wuhan Iron and Steel Institute in July 1978.

Mr. KEUNG Chak (姜策), aged 60, elected as an independent non-executive Director of the Bank in February 2018, has been serving as a chairman of SZCE Ronghe Investment Co., Ltd. (深圳市建融合投資有限公司) since January 2016. From October 2002 to December 2015, he served as an executive director of Hong Kong Sun Asset Management Limited (香港陽光資本管理有限公司). From December 1998 to September 2002, he served as an executive director of Hong Kong Concord Capital Securities Limited (香港協和證券有限公司). From July 1983 to December 1998, Mr. KEUNG served in positions at the finance department and the investment department of China Everbright Industrial Corporation (中國光大實業總公司).

Mr. KEUNG obtained a bachelor's degree in applied mathematical statistics specialisation from Shanghai University of Finance and Economics (上海財經大學) in July 1983.

Mr. TAI Kwok Leung, Alexander (戴國良), aged 63, elected as an independent non-executive Director of the Bank in February 2018, is a partner of VMS Securities Limited. Mr. TAI was previously the manager of the Hong Kong and Australian offices of PricewaterhouseCoopers, the director of corporate finance of Standard Chartered Asia Limited, the director of China Corporate Finance Limited, the managing director of Orchid Asia Group Management Ltd., and the managing director and the head of the corporate finance department of Investec Capital Asia Limited. Mr. TAI is licensed by the Hong Kong Securities and Futures Commission to conduct Type 1 (dealing in securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities. Mr. TAI is currently an independent non-executive director of Qingdao Youwu Smart Home Technology Co., Ltd., AAG Energy Holdings Limited (SEHK stock code: 2686), G & M Holdings Limited (SEHK stock code: 6038) and Jiayuan International Group Limited (SEHK stock code: 2768). Mr. TAI was an independent non-executive director of Luk Fook Holdings (International) Limited (SEHK stock code: 590) and Anhui Conch Cement Company Limited (SEHK stock code: 914).

Mr. TAI graduated from the Victoria University of Wellington in New Zealand and obtained a bachelor degree in commerce and administration in 1982. He is an associate member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. XING Tiancai (邢天才), aged 59, elected as an independent non-executive Director of the Bank in February 2018. Since October 2017, he has been serving as an independent director of Datong Securities Company Limited (大通證券有限公司). He has been serving as the dean of the Graduate School of Dongbei University of Finance and Economics (東北財經大學) since May 2017. From December 2016 to May 2017, he served as the head of the development planning and disciplinary construction department of Dongbei University of Finance and Economics. From December 2006 to December 2016, he served as the dean of the School of Finance of Dongbei University of Finance and Economics. From September 1999 to December 2006, he served as the dean of the Vocational Technical School of Dongbei University of Finance and Economics. From August 1986 to September 1999, Mr. XING served as a deputy director of the research section under the School of Investments, a deputy director of the Graduate Department, the head of Higher Education Research successively at Dongbei University of Finance and Economics.

Mr. XING obtained a bachelor's degree in economics from Liaoning Institute of Finance and Economics (遼寧財經學院) in July 1984 and a master's degree in economics and a doctoral degree in economics from Dongbei University of Finance and Economics in September 1987 and April 2003, respectively. He was elected as a professor in December 2000, and was approved as a national second-level professor in 2011. Mr. XING was awarded the title of "Excellent Expert" by the Dalian Municipal People's Government and approved as an expert to enjoy special government allowance from the State Council in 2013 and was granted the "May 1 Labour Medal" of Liaoning Province in 2015 and was granted the "Leader of the National Specially Supported Program for High-level Talents (Leader of the National Ten-thousand Talents Program)" from the Organization Department of the Central Committee of the Communist Party of China and the Ministry of Human Resources and Social Security.

Mr. LI Jinyi (李進一), aged 57, elected as an independent non-executive Director of the Bank in February 2018. He has served as a senior partner and a part-time lawyer of Guangdong Shenglun Law Firm (廣東勝倫律師事務所) since 2017. He has been serving as a lecturer at the School of Economics and subsequently an associate professor at the Management School of Jinan University (暨南大學) since April 1991. From 2002 to 2018, he was a part-time lawyer at Guangdong Xindesheng Law Firm. From 1996 to 2002, he was a part-time lawyer at Guangdong Jinan Law Firm. He is currently an independent director of GRG Banking Equipment Co., Ltd. (SZSE stock code: 002152), Guangzhou Restaurant Group Co., Ltd. (SSE stock code: 603043), Guangdong Aofei Data Technology Co., Ltd. (SZSE stock code: 300378) and Gmg International Tendering Co., Ltd. (stock code: 831039), a company listed on the National Equities Exchange and Quotations (NEEQ). Mr. LI has served as an independent director of GRG Banking Equipment Co., Ltd. (from 2006 to 2012), Guangzhou Haige Communications Group Incorporated Company (SZSE stock code: 002465), Sotech Smarter Equipment Co., Ltd. (SZSE stock code: 300173) and Comefly Outdoor Co., Ltd. (SSE stock code: 603908).

Mr. LI obtained his bachelor's degree and master's degree in law from Southwest University of Political Science and Law in July 1985 and January 1991, respectively. He was elected as an associate professor in December 1998.



2. Biographies of Supervisors

Mr. HAN Li (韓力), aged 59, has been serving as a Shareholder Representative Supervisor and chairman of the Board of Supervisors of the Bank in October 2020. Since May 2019, Mr. HAN has been serving as a Party committee member of the Bank. From December 2014 to May 2019, Mr. HAN served as the Party leadership group secretary and the director of Shenyang Audit Bureau, as well as the director of the General Office of the audit committee of the Shenyang Municipal Committee. From February 2013 to December 2014, Mr. HAN served as the director of Shenyang Audit Bureau and the deputy secretary of the Party leading group. From July 2008 to February 2013, he served as the deputy director of Shenyang Audit Bureau and the deputy secretary of the Party leading group. From March 2005 to July 2008, Mr. HAN served as the deputy director of Shenyang Audit Bureau. From September 2002 to March 2005, he served as an assistant inspector of Shenyang Audit Bureau. From November 1999 to September 2002, Mr. HAN served as an assistant to the director and the director of the General Office of Shenyang Audit Bureau. From September 1996 to November 1999, Mr. HAN served as the director of the General Office of Shenyang Audit Bureau. From February 1992 to September 1996, he served as the deputy director of the agriculture and forestry department of Shenyang Audit Bureau. From August 1983 to February 1992, Mr. HAN served as a staff member, a section member and the deputy director of the industry and transportation department of Shenyang Audit Bureau. Mr. HAN obtained a master's degree in applied sociology from Chinese Academy of Social Sciences in July 1998. Mr. HAN has an accountant qualification.

Mr. YUEN Wing Shing (袁永誠), aged 74, has been serving as a Shareholder Representative Supervisor of the Bank since October 2020. From February 2018 to October 2020, Mr. YUEN served as a non-executive Director of the Bank. He is currently also an executive director of Gross-harbour (Holdings) Co, Ltd.(SEHK stock code: 32) and Y. T. Realty Group Limited (SEHK stock code: 75). He was an executive director and a managing director of Yugang International Limited (now renamed to Wutong International Co., Ltd., SEHK stock code: 613), and resigned on 30 April 2019. He also held a senior management position with a major bank in Hong Kong for over 20 years. Mr. YUEN holds a diploma in management studies from The Hong Kong Polytechnic University.

Mr. PAN Wenge (潘文戈), aged 54, has been serving as a Shareholder Representative Supervisor of the Bank since May 2014. He has been the chief financial officer of Luenmei Quantum Co., Ltd. (聯美量子股份有限公司) (SSE stock code: 600167) since November 2009. Prior to that, he held the position of the deputy chief financial officer at Luenmei (China) Investment Co., Ltd. (聯美(中國)投資有限公司) from May 2007 to November 2009. From May 2000 to May 2007, he worked at Huaxia Bank, where he successively served as the deputy general manager of the financing center of its Shenyang branch, the general manager of the business department of Shenyang branch, the president of Shenyang Beizhan sub-branch and Shenyang Zhongshan Square sub-branch. Mr. PAN graduated from Dongbei University of Finance and Economics in July 1988, majoring in finance and accounting, and obtained a master's degree in applied psychology from Liaoning Normal University in July 2002. He has been an accountant as accredited by the Personnel Office of Liaoning Province since October 1994.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. BA Junyu (巴俊宇), aged 65, has been serving as an External Supervisor of the Bank since February 2018. He has been served as an independent non-executive director of Asia Resources Holding Limited (SEHK stock code: 899) since July 2018. Mr. BA has been a professor at Shenyang Ligong University (瀋陽理工大學) since September 2001, and served as the principal, a professor and a researcher of the social economy research institute of Shenyang Ligong University from September 2001 to May 2009. He serves as a professor at the ideological and political theory teaching and research department of Shenyang Ligong University since May 2009 and served as an independent non-executive Director of the Bank from June 2010 to February 2018. Prior to that, he served as an associate professor and the head of the economic research institute at Shenyang University from April 1996 to August 2003. From August 1985 to April 1996, he served as a vice dean, a deputy principal and an associate professor of the market economy research institute of Shenyang Institute of Finance and Economics. He used to work at the teaching and research office of Shenyang Accounting School (瀋陽市財會學校) as a deputy director, a director and a lecturer from August 1982 to August 1985. Mr. BA graduated from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics (遼寧財經學院)) in July 1982, majoring in commercial enterprise management. He has been a researcher as accredited by the Human Resources Department of Liaoning Province since August 2008.

Mr. SUN Hang (孫航), aged 54, has been serving as an External Supervisor of the Bank since February 2018. He has been the director of the Enterprise Management Research Centre of Liaoning Academy of Social Sciences since March 2016. He served as an independent non-executive Director of the Bank from May 2014 to February 2018. Prior to that, he served as the principal of the Human Resources Research Institute of Liaoning Academy of Social Sciences from April 2007 to March 2016, the general manager at Shenyang Yuhuang Health Products Co., Ltd. (瀋陽玉皇保健品有限公司) from March 2002 to April 2007, a deputy principal of the Applied Technology Research Institute of Chinese Academy of Management Science (中國管理科學研究院) from March 1998 to March 2002, and a deputy director staff at the enterprise department of Changchun Industry and Commerce Association and a manager of Xunda Motorcycle Co., Ltd. (迅達摩托車公司) from October 1988 to March 1998. Mr. SUN graduated from Anhui University of Finance and Economics (formerly known as Anhui Institute of Finance & Economics (安徽財貿學院)) in July 1988, majoring in merchandising. He has been a senior economist as accredited by the Human Resources Department of Liaoning Province since December 2001, and a researcher as accredited by the department of human resources and social security of Liaoning Province since September 2011.

Ms. CHENG Hua (程華), aged 41, was elected as an External Supervisor of the Bank in October 2020. Ms. CHENG has been serving as an independent non-executive director of Harbin Hi-Tech (Group) Co., Ltd. (SSE stock code: 600095) since August 2020. Since September 2011, Ms. CHENG has served as a senior accountant on the Accounting Standards Board of the Ministry of Finance. From August 2006 to September 2011, Ms. CHENG worked as a senior accountant at the Accounting Standards Committee of the Ministry of Finance of China. Ms. CHENG obtained a bachelor's degree in management from Shandong University of Finance and Economics in July 2001, a master's degree in management from Tongji University in November 2003 and a doctoral degree in management from Shanghai University of Finance and Economics in September 2006. Ms. CHENG is qualified as a senior accountant and certified public accountant.



Mr. YU Xiaolong (于小龍), aged 43, has been serving as an Employee Representative Supervisor of the Bank since October 2020. Mr. YU has served as the party secretary of the Party Committee and the president of the Beijing branch of the Bank since July 2020. From February 2020 to July 2020, he served as the deputy party secretary of the Party Committee and the acting president of the Beijing branch of the Bank. From July 1997 to January 2020, Mr. YU held various positions in China Everbright Bank. From November 2018 to January 2020, Mr. YU served as the secretary of the Disciplinary Committee (a level equal to vice president of the tier 1 branch) at its Dalian branch. From February 2015 to November 2018, Mr. YU successively served as the general manager of the Party affairs supervision department (security department) and the general manager of the General Office at its Beijing branch. From March 2011 to February 2015, Mr. YU served as the president of its Beijing Dongcheng sub-branch. From July 1997 to March 2011, Mr. YU served successively in the Head Office of the Bank as a clerk, business director, business head of business office, deputy director of the business office settlement department, director of the comprehensive management division of the agency payment department, director of the collection management division of the agency payment department, and deputy general manager of the agency payment department (in charge of work) at the sales department. Mr. YU obtained a bachelor's degree in law from Beijing Institute of Technology in October 2005 and a master's degree in engineering from Beihang University in January 2012.

Mr. NIU Jiao (牛角), aged 44, has been serving as an Employee Representative Supervisor of the Bank since October 2020. Mr. NIU has served as the Party secretary of the Party Committee and the president of the Dalian branch of the Bank since November 2020. From October 2020 to November 2020, Mr. NIU served as the Party secretary of the Party Committee of the Dalian branch. From January 2020 to October 2020, he served as the general manager of the strategic clients department and general manager of the business department of the Bank. From May 2019 to January 2020, Mr. NIU served as the vice president of the Tianjin branch of the Bank. From March 2005 to May 2019, Mr. NIU held various positions in Shanghai Pudong Development Bank. From January 2017 to May 2019, Mr. NIU served as the general manager of the sales department and general manager of the retail marketing department at its Dalian branch. From October 2010 to January 2017, Mr. NIU served as the president of its Anshan branch. From March 2005 to October 2010, Mr. NIU served successively as a senior clients manager, vice president of the Democracy Square sub-branch and president of the Xigang sub-branch at its Dalian branch. From July 1998 to March 2005, Mr. NIU served as a loan officer and head of credit section at Dalian Bank. Mr. NIU obtained a bachelor's degree in economics from Dongbei University of Finance and Economics in June 1998 and a master's degree in business administration from the Chinese University of Hong Kong in December 2009.

Ms. XU Li (徐麗), aged 49, has been serving as an Employee Representative Supervisor of the Bank since October 2020. Ms. XU has been a general manager of the audit department of the Bank since November 2020. From March 2020 to November 2020, Ms. XU served as the deputy general manager of the planning and financial management department of the Bank. From September 2009 to March 2020, Ms. XU held various positions in China Everbright Bank. From October 2017 to March 2020, Ms. XU served as the general manager of the planning and finance department at its Shenyang branch. From July 2014 to October 2017, Ms. XU served as the general manager of the sales department at its Shenyang branch. From December 2010 to July 2014, Ms. XU successively served as the vice president and president of the Heping sub-branch at its Shenyang branch. From September 2009 to December 2010, Ms. XU served as the assistant to the general manager of the corporate business management department at its Shenyang branch. From February 2009 to September 2009, Ms. XU served as the deputy general manager of the business department of the Hangzhou branch of Ping An Bank. From November 2008 to February 2009, Ms. XU served as the head of the business department (under preparation) of the Wuxi branch of China Everbright Bank. From March 1999 to November 2008, Ms. XU served successively as the stationed counter manager and business office manager of the operation management department of the Shenyang branch of China Everbright Bank. From August 1996 to March 1999, Ms. XU served as a general officer and manager of the business office of the Jincheng sub-branch of the Shenyang branch of China Investment Bank. From July 1994 to August 1996, Ms. XU served as a teacher in accounting in the Economics Department of Liaoning Young Cadre College. Ms. XU obtained a bachelor's degree in economics from Liaoning University in July 1994. Ms. XU has the intermediate economist title.

3. Biographies of Senior Management

For the biography of Mr. SHEN Guoyong (沈國勇), please refer to “Directors, Supervisors, Senior Management and Employees – Biographies of Directors”.

For the biography of Ms. ZHANG Jun (張珺), please refer to “Directors, Supervisors, Senior Management and Employees – Biographies of Directors”.

For the biography of Ms. LI Ying (李穎), please refer to “Directors, Supervisors, Senior Management and Employees – Biographies of Directors”.

Mr. WANG Yigong (王亦工), aged 53, has been serving as the vice president of the Bank since January 2013. Mr. Wang served as an executive Director of the Bank from August 2013 to October 2020, and served as chief risk officer of the Bank from January 2013 to November 2019. Mr. Wang held the position of general manager of the credit and loan management department of the Bank from January 2006 to January 2013. He then served as president of our Zhenghao Sub-branch from February 2002 to January 2006, during which he also served as president of our Liaoshen Sub-branch from February 2002 to February 2003. From January 2001 to February 2002, he worked as (managing) vice president of our Liaoshen Sub-branch. He served as deputy general manager of the asset security department of the Bank from June 1998 to January 2001. He successively worked as a cashier, a credit clerk and deputy head of credit office at the Tiexi Office of Industrial and Commercial Bank of China in Shenyang from December 1984 to June 1998.

Mr. Wang graduated from The Open University of China (formerly known as China Central Radio and TV University) (Beijing, PRC) in November 2002, majoring in finance. He has been an economist as accredited by the PRC Ministry of Personnel since June 1995. He has obtained the “Shenyang May 1 Labor Medal awarded” by Shenyang General Labor Union in April 2015.

Mr. ZHANG Xuwen (張學文), aged 53, was appointed as the vice president of the Bank in January 2019. He served as the party secretary and the president of the Changchun branch of the Bank from January 2014 to January 2019; the general manager of the marketing department of the Bank from August 2012 to January 2014; and the vice president of the Changchun branch of the Bank from April 2011 to August 2012. Mr. ZHANG has over 25 years of experience in banking business operation and management. From December 2006 to April 2011, he served as the Director of the Second Corporate On-site Inspection Department of the Jilin Banking Regulatory Bureau and the Contact Group for Improving Small Enterprises’ Financial Services of the Jilin Banking Regulatory Bureau. From September 2003 to December 2006, Mr. ZHANG served as a supervisory researcher at the Deputy Department Director level of the Central Bank Department of the Jilin Banking Regulatory Bureau. From September 2001 to September 2003, he served as a principal staff member of the Central Bank Department of the Changchun Financial Regulation Bureau. From December 1998 to September 2001, he served as a senior staff member of the Second Inspection Department of the Changchun Financial Regulation Bureau. From December 1995 to December 1998, Mr. ZHANG worked in the banking department of the Jilin People’s Bank and from August 1991 to December 1995, served in its business department and the financial management department.

Mr. ZHANG holds a master’s degree in political economics from Dongbei Normal University in December 2001 and has a title of economist.



Mr. ZHU Yanbing (朱延冰), aged 44, has been appointed as an assistant to the president of the Bank since October 2020. From July 2020 to October 2020, Mr. ZHU held various positions in Bank of Communications. From August 2019 to October 2020, Mr. ZHU served as a member of the Party Committee, the vice president and credit executive officer of its Liaoning Branch. From May 2014 to August 2019, Mr. ZHU served successively in the head office of this bank as the head of the on-site team of the centralised control of risk business team, the deputy senior manager of the second team of Asset Preservation of Risk Management Department, the senior manager of the first team of Asset Preservation of Risk Management Department (asset preservation unit), and the senior manager of the first team of Asset Preservation Department of Asset Preservation Center (prospective business units). From December 2012 to May 2014, Mr. ZHU served as the head of the Wuxi team of Risk Disposal Group for Steel Trade and Loans, and was promoted as the deputy senior manager of the Business Credit Asset Preservation Division of Asset Preservation Department in its head office in 2013. From January 2004 to December 2012, Mr. ZHU successively served in its head office as a project inspector of Debt Disposal Division of the Risk Management Department, an inspection specialist of Management and Inspection Division of Asset Preservation Department and the preservation manager of Corporate Loans Asset Preservation Division of Asset Preservation Department. From July 2000 to January 2004, he served as a loan officer at the Baoshan sub-branch at its Shanghai Branch.

Mr. ZHU obtained a bachelor's degree in management from Tongji University in July 2000 and has the title of intermediate economist.

Mr. YANG Liya (楊利亞), aged 57, appointed as the chief approval officer of the Bank in October 2020, served as an Employee Representative Supervisor and Chief Supervisor of the Bank from August 2018 to October 2020. From June 2017 to July 2018, Mr. YANG served as the chief risk officer of Evergrande Financial Group and the general manager of risk management center of China Evergrande Group (listed on the Hong Kong Stock Exchange, stock code: 3333). From July 2014 to December 2016, Mr. YANG served as a special loan approval officer of China Construction Bank Corporation (head office) ("Construction Bank") (listed on the Hong Kong Stock Exchange, stock code: 939; listed on the Shanghai Stock Exchange, stock code: 601939). From June 2006 to July 2014, Mr. YANG served as the risk director of Shanxi Branch of Construction Bank. From April 2002 to June 2006, Mr. YANG served as the special loan approval officer of Construction Bank (head office). From April 1991 to April 2002, Mr. YANG served successively as staff member, senior staff member, principal staff member, special loan approval officer and vice president of Henan Branch, Pingdingshan Branch and Zhengzhou Jinshui sub-branch of Construction Bank. From August 1984 to August 1988, Mr. YANG served successively as a researcher of China Academy of Engineering Physics and Henan Provincial Government Development Research Center, respectively.

Mr. YANG graduated as a postgraduate in technical economics from Tsinghua University in March 1991. In December 1998, Mr. YANG was accredited as a senior economist.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. ZHOU Zhi (周峙), aged 52, has been appointed as the secretary of the Board of the Bank since February 2015. Mr. ZHOU has over 28 years of experience in banking business operation and management. He joined the Nanhu Sub-branch of Shenyang Cooperative Bank, the Bank's predecessor in August 1991. Mr. ZHOU has served as the director of the strategic development research centre of the Bank from March 2018 to September 2019. Mr. ZHOU served as the deputy director of the development strategy research center of the Bank from June 2006 to March 2018. From June 2006 to January 2015, Mr. ZHOU served as the director of the Supervisors' office of the Bank. From May 2005 to June 2006, Mr. ZHOU served as the deputy director of the president's office of the Bank. From May 1998 to May 2005, he served as the assistant to the general manager and deputy general manager of the market development department and deputy director of the development strategy research center. From August 1991 to May 1998, Mr. ZHOU successively worked as a staff member of the securities department and the City Plaza business department of the Bank (including its predecessor).

Mr. ZHOU obtained a master's degree in business administration from Liaoning University in December 2008. Mr. Zhou has been a senior economist as accredited by Human Resources Department of Liaoning Province since 2003.

Ms. LI Zheng (歷嶢), aged 35, she has worked with the Bank since March 2020 and has been appointed as the Human Resources Director of the Bank. Ms. LI has nearly 10 years of experience in human resources management. From July 2008 to March 2020, Ms. LI held various positions in Evergrande Group. From June 2010 to March 2020, Ms. LI successively served as the development director, investment director, assistant to general manager (in charge of personnel and marketing), deputy general manager and project general manager of Evergrande Real Estate Group (Liaoning Company). From March 2009 to June 2010, Ms. LI served as the manager of the competition department of Guangdong Evergrande Volleyball Club. From July 2008 to March 2009, Ms. LI served as a recruitment specialist in the Human Resources Center of Evergrande Group.

Ms. LI obtained a bachelor's degree in education from South China Normal University in July 2008, and a master's degree in business administration from Liaoning University in December 2018.

Mr. BAO Hong (包宏), aged 49, has been appointed as the chief financial officer of the Bank since March 2020. Mr. BAO has over 20 years of experience in banking business operation and financial management. He joined Shenyang Cooperative Bank, the precedent of the Bank in August 1992 and has held various important positions in the Bank. He served as a director of Shengjing Bank Consumer Finance Co., Ltd. since June 2019. From March 2019 to present, he served as the general manager of the Planning and Financial Management Department of the Bank; from January 2018 to March 2019, he served as the general manager of the Assets and Liabilities Management Department of the Bank; from January 2017 to January 2018, he served as the deputy director of the President's Office of the Bank (in charge of work); from August 2016 to January 2017, he served as the vice president of Changchun Branch of the Bank; from January 2015 to August 2016, he served as the vice president of Tianjin Branch of the Bank; from August 2009 to January 2015, he served as the deputy general manager of Shenyang Business Management Department of the Bank, the chief financial officer of the Bank, the director of the Board Office, the director of the President's Office, the secretary of the Board, and the director of the Listing Promotion Office. From March 2009 to August 2009, he served as the executive vice president of Beijing Branch of the Bank; from January 2009 to March 2009, he served as the deputy director of the Board Office (in charge of work) and the deputy director of the development strategy research center of the Bank; from March 2007 to January 2009, he served as the vice president of Binhe Sub-branch in Shenyang. From July 1995 to March 2007, Mr. BAO successively served as the system administrator, assistant to general manager, and deputy general manager of the financial and accounting department of Shenyang Commercial Bank, the precedent of the Bank, vice president of the Baogong Branch, deputy general manager of the foreign exchange business department and vice president of the Beishi Sub-branch. From August 1992 to July 1995, he served as the settlement officer and auditing officer of the business department of Shenyang Cooperative Bank, the precedent of the Bank.



Mr. BAO obtained master's degree in business administration from Coventry University in the United Kingdom in November 2002. Mr. BAO obtained the professional qualification of senior accountant recognised by Liaoning Provincial Department of Human Resources and Social Security in September 2005.

Mr. SUN Yingpin (孫英品), aged 46, was appointed as the Director of retail business of the Bank in August 2020. Mr. SUN has been the general manager of the Retail Banking Department of the Head Office since September 2019, and has been the general manager of Internet Finance Department since June 2020. From November 2016 to September 2019, Mr. SUN served as the general manager of the Retail Banking Department of the Head Office and concurrently served as the general manager of the Comprehensive Management Department for Wealth Management Business of the Head Office from November 2016 to March 2018. From March 2018 to October 2018, Mr. SUN also served as the general manager of the Wealth Management Department of the Head Office. From April 2011 to November 2016, Mr. SUN served successively as the manager of the Marketing Department, president assistant, the Party committee secretary and vice president (in charge of work) of the Anshan Branch of the Bank. From November 1997 to April 2011, Mr. SUN also held various positions in the Anshan Branch of the Agricultural Bank of China, including but not limited to the section head of the Business Department, the vice president of the Xiuyan sub-branch and the vice president of Haicheng sub-branch.

Mr. SUN obtained a bachelor's degree in management from Northeastern University in July 1997, and has the title of intermediate economist.

Save as disclosed above, all our Directors, Supervisors and members of senior management meet the relevant CBIRC qualification requirements for their respective positions. For those whose appointments require approval by the CBIRC, the approvals have been duly obtained.

4. Biographies of Joint Company Secretaries

Mr. ZHOU Zhi (周峙), aged 52, is one of the joint company secretaries of the Bank and was appointed in February 2015. For the biography of Mr. ZHOU, please refer to "Directors, Supervisors, Senior Management and Employees – Biographies of Senior Management".

Ms. KWONG Yin Ping Yvonne (鄺燕萍), aged 65, is one of the joint company secretaries of the Bank and was appointed in June 2014 with her appointment taking effect on the Listing Date.

Ms. KWONG has extensive experience in providing company secretarial and compliance services to numerous private and listed companies. She is a vice president of SWCS Corporate Services Group (Hong Kong) Limited, a company focusing on the provision of listing company secretarial and compliance services. She currently serves as the company secretary or joint company secretary of several companies listed on the Hong Kong Stock Exchange.

Ms. KWONG received a bachelor's degree in accounting from Hong Kong Polytechnic University in November 1997. She has been a fellow of The Hong Kong Institute of Chartered Secretaries and a fellow of The Institute of Chartered Secretaries and Administrators (now known as The Chartered Governance Instituted) since 2012.



DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

EMOLUMENT OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS OF THE BANK

The remuneration of executive Directors of the Bank is determined in accordance with the Remuneration Management Measures of the Bank, which specifically includes basic remuneration, performance remuneration and other benefits, wherein the basic remuneration of executive Directors is determined based on their management positions in the Bank, performance remuneration is determined based on the Bank's operating performance and personal assessment (mainly based on aspects such as their implementation of the Board's decision and deployment, performance of job responsibilities, operating performance, management performance, and comprehensive evaluation), and other benefits include statutory pension, medical and housing provident fund, enterprise annuity, etc.

The remuneration of non-executive Directors and independent non-executive Directors of the Bank is determined in accordance with the Directors and Supervisors Allowance System of the Bank. No remuneration is received by non-executive Directors from the Bank while their meeting subsidies are paid by the Bank based on the number of on-site Board meetings they attended with a subsidy standard of RMB5,000 per meeting. The allowance for independent non-executive Directors of the Bank is RMB18,000 per month. At the same time, independent non-executive Directors may receive reward remuneration based on their duty performance (mainly including their working hours, meeting attendance, advice and suggestions and participation in corporate governance and others) each year, the remuneration shall be no more than RMB80,000 per year.

For details of emolument of Directors, Supervisors and the five highest paid individuals of the Bank, please see notes 9 and 10 to the financial statements.

EMPLOYEES, EMPLOYEES' COMPENSATION POLICIES AND TRAINING SCHEMES

As at 31 December 2020, the Bank had 7,556 employees in total.

The remuneration of the Bank's employees is mainly composed of fixed remuneration, variable remuneration and welfare income, which is determined based on the difference in positions, responsibilities and abilities of employees. Fixed remuneration is determined based on the class of positions of employees. Variable remuneration depends on the actual operating results and the performance appraisal of the Bank; in terms of welfare income, the Bank contributes to its employees' social insurance and provides housing funds and certain other employee benefits in accordance with the laws and regulations.

The Bank has adhered to the operating concept of "developing the Bank through talents", aimed to continuously improve the comprehensive quality and professional competence of its employees, and effectively conducted training activities at each hierarchy level, focusing on compliance management, risk prevention and control, and marketing capability. Through the establishment of a comprehensive training system and the strengthening of the construction of an "internal trainer team", the Bank has provided opportunities for employees to make progress, built a team of talents with executive capability, creativity and cohesion, aiming at cultivating talents by the enterprise and rewarding the enterprise with talents. During the Reporting Period, under the three-level training system (namely at the level of Head Office, branch and sub-branch), training activities were carried out in an orderly manner in accordance with specialties, categories and hierarchy levels, and a total of 131,034 person-times trainings were carried out throughout the year.



CORPORATE GOVERNANCE REPORT

The Bank strives to improve the transparency and accountability of its corporate governance and ensure high standards of corporate governance to safeguard shareholders' interests and enhance its enterprise value and commitment.

In 2020, the Bank complied with the relevant laws and regulations in all material respects. The Bank also conducted performance appraisals on the Board, senior management and their members, further upgraded its standards of information disclosure and standardised its work on management of investor relations, to continuously enhance the transparency and corporate governance standards of the Bank.

During the Reporting Period, the Bank complied with the code provisions in the Corporate Governance Code (the "Code") set out in Appendix 14 to the Listing Rules and the Listing Rules governing disclosure of inside information.

Nothing has come to the attention of the Directors to suggest that the Bank was not in compliance with the code provisions set out in the Code during the Reporting Period.

The Bank will continue to review and enhance its corporate governance in order to ensure compliance with the Code and meet the higher expectations of the shareholders and investors.

GENERAL MEETING

Information of General Meetings

In 2020, the Bank convened two general meetings, details of which are set out below:

At the 2019 annual general meeting of the Bank convened on 5 June 2020, proposals were considered and approved on the matters including the work report of the Board of Directors for 2019, the work report of the Board of Supervisors for 2019, the final financial accounts for 2019 and financial budget report for 2020, the profit distribution plan for 2019, appointment of auditors for 2020, the general mandate to issue new shares, and the proposed issuance of financial bonds.

At the 2020 first extraordinary general meeting of the Bank convened on 20 October 2020, proposals were considered and approved on the following matters, including the election of Mr. QIU Huofa, Mr. SHEN Guoyong, Ms. ZHANG Jun, Mr. SHI Yang and Ms. LI Ying as executive Directors of the Bank; Mr. SU Qingxiang, Mr. LIANG Zhifang, Mr. ZHU Jialin and Mr. JI Kun as non-executive Directors of the Bank; and Mr. NI Guoju, Mr. KEUNG Chak, Mr. TAI Kwok Leung, Alexander, Mr. XING Tiancai and Mr. LI Jinyi as independent non-executive Directors of the Bank; the election of Mr. HAN Li, Mr. YUEN Wing Shing and Mr. PAN Wenge as Shareholder Representative Supervisors and the election of Mr. BA Junyu, Mr. SUN Hang and Ms. CHENG Hua as External Supervisors, and the amendment of the Articles of Association.

The above general meetings were convened in compliance with the procedures as required by the relevant laws and regulations.



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THE BOARD AND SPECIAL COMMITTEES

Implementation of Resolutions of General Meetings by the Board

In 2020, the Board implemented the resolutions passed at the general meeting regarding, among other things, the final financial accounts for 2019 and financial budget for 2020, the profit distribution plan for 2019, appointment of auditors for 2020, the issuance of financial bonds, the appointment of Directors and Supervisors, and the amendment to the Articles of Association.

Composition of the Board

As at the date of this report, the Board of the Bank comprises a total of 14 Directors, including five executive Directors, namely, Mr. QIU Huofa (Chairman), Mr. SHEN Guoyong, Ms. ZHANG Jun, Mr. SHI Yang and Ms. LI Ying; four non-executive Directors, namely, Mr. SU Qingxiang, Mr. LIANG Zhifang, Mr. ZHU Jialin and Mr. JI Kun; and five independent non-executive Directors, namely, Mr. NI Guoju, Mr. KEUNG Chak, Mr. TAI Kwok Leung, Alexander, Mr. XING Tiancai and Mr. LI Jinyi.

The list of Directors (by category of Directors) was disclosed in all corporate communications issued by the Bank in accordance with the Listing Rules.

The Board is responsible for developing the management system of the Bank and monitoring the decisions on business and financial strategies, results and other important matters of the Bank. The Board is accountable to the general meeting. The Board has delegated the powers and duties in relation to management of the Bank to the management. In addition, the Board has also defined respective terms of reference of the audit committee, the nomination and remuneration committee, the strategic development committee, the related party transactions control committee and the risk control and consumers' rights protection committee. Details of such committees are set out in this report.

The Board is also responsible for performing the corporate governance functions. During the Reporting Period, the Board performed the corporate governance functions in accordance with code provision D.3.1 of the Code.

The Bank has arranged for appropriate insurance cover for directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities.

Financial, Business and Family Relationships between Directors, Supervisors and Senior Management

There are no relationships between each of the Directors, Supervisors and senior management of the Bank, including financial, business, family or other material relationships.



Changes in Directors

Please refer to “Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management” for details of changes in Directors of the Bank.

Operation of the Board

The Board convenes meetings on a regular basis, including regular meetings at least four times a year and interim meetings when necessary. Board meetings may be conducted by way of on-site meetings or voting via video conference. The agenda for a regular meeting of the Board is prepared after consulting the Directors, which will be notified to all Directors and Supervisors in writing 14 days prior to the date of such meeting. All Directors maintain communication with the secretary to the Board to ensure compliance with the procedures of Board meetings and all applicable rules and regulations.

Detailed minutes of Board meetings are maintained and are available for all attending Directors for their review, comments and signature after the conclusion of such meetings. The minutes of Board meetings are kept by the secretary to the Board and are available for inspection by Directors at any time. A communication and reporting mechanism has been established among the Board, Directors and senior management of the Bank. The president reports regularly to the Board and is overseen by the Board.

Relevant members of the senior management are invited to participate in Board meetings from time to time to provide explanations and answers to inquiries. Directors can express their opinions freely at Board meetings, and major decisions are made after detailed discussions. A Director must abstain from discussion and voting at a Board meeting on any proposal in which he or she is materially interested, and must not be counted in the quorum for such proposal.

The Board has set up an office as its working body, which is responsible for the preparation of general meetings, Board meetings and meetings of the special committees under the Board, information disclosure, handling collection, sorting and submission of the information on equity pledges of the Bank and other routine matters.

Duties and Powers of the Board

Duties and powers of the Board mainly include, but are not limited to, the following:

- (1) convene and report at shareholders’ general meetings;
- (2) implement resolutions adopted at shareholders’ general meetings;
- (3) make decisions on the Bank’s business plans and investment plans, formulate the Bank’s operational development strategies;
- (4) formulate the Bank’s annual financial budgets and accounts;



CORPORATE GOVERNANCE REPORT

- (5) formulate the Bank's proposals on profit distribution and loss recovery plans;
- (6) formulate proposals on the increase or reduction of the Bank's registered capital and the issue and listing of bonds and other securities
- (7) formulate plans for significant acquisitions, purchase of the Bank's shares, or merger, division or dissolution or other change in form of the Bank;
- (8) decide on matters within the scope authorised at a shareholders' general meeting, including major external investments, asset acquisition and sales, pledge of assets, external guarantee, trust management, related transactions, etc.;
- (9) decide on the establishment of the Bank's internal management departments and overseas branch office which is not a legal person;
- (10) appoint or remove the Bank's president, vice president and other senior management officers in accordance with the recommendations of the chairman, and determine their remunerations, rewards and punishment;
- (11) formulate proposals on the remuneration and subsidies of the Directors of the Bank;
- (12) formulate the basic management systems, decide on the policies on risk management, internal control and compliance of the Bank;
- (13) formulate amendments to the Articles of Association;
- (14) formulate the information disclosure system of the Bank, incorporate the risk management work of the Bank's information into daily operation, implement responsibility of various aspects and manage the disclosure of information of the Bank;
- (15) propose at a shareholders' general meeting the engagement, replace or discontinuance of engagement of an accounting firm of the Bank;
- (16) supervise and evaluate the work performance of the Directors and senior management officers of the Bank, listen to the president's work report and inspect the president's work;
- (17) consider any major capital expenditure, contract and commitment which exceeds the expenditure limit for senior management officers set by the Board of Directors;
- (18) formulate proposals on the sale or transfer of all or substantially all of the Bank's business or asset;



- (19) draw up share incentive and equity repurchase plans of the Bank; and decide on the measures to link employees' salaries with the operational performance of the Bank;
- (20) report to the relevant authorities of the government in accordance with the laws and regulations with respect to significant events involving operational risks and financial security as well as major decisions that are likely to lead to financial risks and financial security issues before such decisions are made;
- (21) be responsible for the management of equity affairs of the Bank, and take the ultimate responsibility for the management of equity affairs;
- (22) be responsible for the protection of consumer rights, and take the ultimate responsibility for the protection of consumer rights, take the protection of consumer rights into each segment of corporate governance, incorporate the protection of consumer right into our business development strategies and corporate culture;
- (23) be responsible for anti-money laundering management work of the Bank, and take the ultimate responsibility for the management of money laundering risks;
- (24) implement requirements of the laws, administrative regulations, departmental rules or the Articles of Association as well as other duties and powers granted by the shareholders' general meeting.

The resolutions of the above matters of the Board must be approved by more than half of all the Directors, but in respect of matters required by Article 184 of the Articles of Association, the resolutions must be approved by more than two-thirds of all the Directors.

Appointment of Directors

The Directors (including non-executive Directors) are appointed for a term of three years, and are eligible for re-election upon expiry of their term of office, provided that the term of office of an independent non-executive Director must not be more than six years on an accumulative basis.

Board Meetings

Pursuant to the Code, the Board is required to convene regular meetings at least four times every year and at least once in each quarter. Such regular meetings do not include obtaining Board approval through circulating written resolutions.

In 2020, the Board convened 8 meetings in total (including voting via video conference), at which 53 proposals were considered and approved, and 3 matters were heard, mainly including the change and election of session of the Board, the appointment of the president, appointment/replacement of executive Directors, the amendments to the Articles of Association, financial report, profit distribution, the evaluation report on internal control, the report on comprehensive risk management etc.



CORPORATE GOVERNANCE REPORT

Attendance records of the Directors at the Board meetings, meetings of the special committees under the Board and general meetings held in 2020 are set out below:

Attendance in person/by proxy/required attendance (times)							
Members of the Board	Board	Audit Committee	Nomination and Remuneration Committee	Strategic Development Committee	Related Party Transactions Control Committee	Risk Control and Consumers' Rights Protection Committee	General Meetings
Executive Director							
Qiu Huofa (Chairman)	7/1/8		4/0/4	3/0/3			1/1/2
Independent non-executive Directors							
NI Guojun	8/0/8				6/0/6	2/0/2	1/0/2
KEUNG Chak	8/0/8	2/0/2	4/0/4				1/0/2
TAI Kwok Leung, Alexander	7/1/8	2/0/2			6/0/6		0/0/2
XING Tiancai	8/0/8		4/0/4	3/0/3	6/0/6		1/0/2
LI Jinyi	8/0/8	2/0/2	4/0/4			2/0/2	1/0/2
Former Directors							
WANG Yigong	8/0/8				6/0/6		2/0/2
WU Gang	8/0/8					2/0/2	2/0/2
Zhang Qiyang	8/0/8		4/0/4	3/0/3			1/0/2
LIU Yanxue	8/0/8	2/0/2					1/0/2
Li Jianwei	8/0/8	2/0/2					1/0/2
Li Yuguo	0/0/8					0/0/2	0/0/2
YUEN Wing Shing	5/0/5				5/0/5		0/0/2
Zhao Weiqing	6/1/8			3/0/3			1/0/2

Notes:

- Please refer to "Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management" for details of changes in Directors of the Bank. Mr. SHEN Guoyong, Ms. ZHANG Jun, Mr. SHI Yang and Ms. LI Ying, the current executive directors of the Bank, and Mr. SU Qingxiang, Mr. LIANG Zhifang, Mr. ZHU Jialin and Mr. JI Kun, the current non-executive directors of the Bank, have been appointed with effect from 12 March 2021. Therefore, they have not participated in meetings of the special committees under the Board and general meetings in 2020. Mr. ZHANG Qiang, the former director of the Bank, resigned on 17 January 2020, so he did not attend the meetings of the special committees under the Board and general meetings in 2020.
- Directors who were involved in connected transactions and required to abstain from voting at the relevant meetings are deemed as present.
- Attendance in person includes participation by way of physical attendance as well as participation by way of electronic means such as telephone and online video conference.
- Certain Directors were unable to attend the general meeting of the Bank due to the arrangements for the prevention and control of the COVID-19 in 2020.



Independent Non-executive Directors

During the Reporting Period, the composition of the Board met the requirements under the Listing Rules regarding the appointment of at least three independent non-executive Directors representing at least one-third of the Board, with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The independent non-executive Directors do not have any business or financial interests, nor hold any management positions, in the Bank. All the current independent non-executive Directors are elected and appointed for a term of three years, and are eligible for re-election upon expiry of their term of office, provided that the term of office of an independent non-executive Director must not be more than six years on an accumulative basis.

The Bank has received the annual confirmation from each independent non-executive Director confirming his independence as required by the Listing Rules. The Bank considers that all independent non-executive Directors are independent.

During the Reporting Period, the Bank's independent non-executive Directors duly attended the meetings of the Board and the special committees thereof and provided independent and objective advice on various material decisions at the meetings of the Board and relevant special committees by application of their professional capabilities and industrial experiences. The Bank's independent non-executive Directors strengthened their communication with the senior management, specific departments and external auditors and thoroughly studied the operation and management of the Bank. They effectively fulfilled their fiduciary and diligent obligations and provided strong support to the Board for it to make rational decisions and protected the interests of the Bank and its Shareholders as a whole.

Director's Responsibilities for the Preparation of Financial Statements

The Directors have acknowledged their responsibility for the preparation of the financial statements of the Bank for the year ended 31 December 2020.

The Directors are responsible for overseeing the preparation of financial statements for each accounting period to make sure such financial statements give a true and fair view of the financial conditions, operation results and cash flows of the Bank.

In preparing the financial statements for the year ended 31 December 2020, the Directors have adopted and consistently applied applicable accounting policies, and exercised prudent and reasonable judgment.



CORPORATE GOVERNANCE REPORT

Continuous Professional Development Program for Directors

The newly appointed Director of the Bank received a comprehensive, formal and tailored induction upon his/her first appointment, to ensure that he/she has a proper understanding of the operations and business of the Bank and that he/she is fully aware of his/her duties and responsibilities under the Listing Rules, applicable laws and regulatory rules.

The Bank has attached great importance to the continuous professional development and training of its Directors, and provided the Directors with updates on the Listing Rules and other applicable regulatory requirements from time to time, to ensure that the Directors will have sufficient information and comply with good corporate governance codes. During the Reporting Period, the Bank invited intermediaries and institutions and departments within the industry to hold seminars and trainings on the continuing obligations of directors of listed companies, regulations on the corporate governance of commercial banks, the comprehensive risk management of commercial banks, and regulations on equity management of commercial banks, so as to constantly strengthen the internal construction of the Board, and enhance the performance of Directors. During the Reporting Period, each of the Directors have participated in continuous professional development and training.

During the Reporting Period, certain members of the Board arranged site visits to and collected first-hand materials from the Shenyang branch and other branches of the Bank in Liaoning Province and departments of head offices, to understand the details of implementation of the Board's strategy, decision-making, risk management and internal control by the branches. Such Directors also listened to the opinions and suggestions on operation and management of the branches, provided specific guidance and delivered timely feedbacks to the Board and senior management.

Corporate Governance Functions of the Board

The Board is responsible for establishing sound corporate governance practices and procedures within the Bank. During the Reporting Period, the Board has:

1. formulated and reviewed the Bank's corporate governance policies and practices, and made recommendations;
2. reviewed and monitored the training and continuous professional development of Directors and senior management members;
3. reviewed and monitored the Bank's policies and practices in respect of compliance with laws and regulatory requirements;
4. formulated, reviewed and monitored the codes of conduct for Directors and employees; and
5. reviewed compliance with the Code and the disclosures in the Corporate Governance Report of the Bank.



Special Committees under the Board

The Board has the following committees: audit committee, nomination and remuneration committee, strategic development committee, related party transactions control committee and risk control and consumers' rights protection committee. The Board committees have been operated in accordance with their respective terms of reference defined by the Board.

Please refer to "Directors, Supervisors, Senior Management and Employees – Changes in Directors, Supervisors and Senior Management" for details of changes in Directors of the Bank.

(I) Audit Committee

As of 31 December 2020, the Bank's audit committee consisted of five Directors, including Mr. TAI Kwok Leung, Alexander as the chairman, and Mr. LIU Yanxue, Mr. LI Jianwei, Mr. KEUNG Chak and Mr. LI Jinyi as members. As of the Latest Practicable Date, the Bank's audit committee consisted of five Directors, including Mr. TAI Kwok Leung, Alexander as the chairman, Mr. LIANG Zhifang as the vice chairman, and Mr. ZHU Jialin, Mr. KEUNG Chak and Mr. XING Tiancai as members. The composition of the audit committee of the Bank complies with Rule 3.21 of the Listing Rules and paragraph C3 of the Code.

The primary duties of the audit committee include:

1. examine the Bank's risks and compliance status, accounting policies, financial reporting process and financial status, review the completeness of the Bank's financial information, including financial statements and annual report and accounts, interim reports (if any) and quarterly reports (if any), and review the major opinion related to financial reporting as disclosed in the statements and reports.

The audit committee must liaise with the Board and senior management with regard to the above matters and meet at least twice a year with the external auditors. The audit committee must consider any significant or unusual items that are, or may need to be, reflected in such reports and accounts and must give due consideration to any matters that have been raised by the Bank's staff responsible for the accounting and financial reporting function, compliance officer (if any) or external auditors;



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2. with respect to external auditors:
 - (1) make recommendations to the Board on the appointment, reappointment or removal of the external auditors, reviewing the fees and terms of engagement of the external auditors, and handling any matters relating to the resignation or dismissal of the external auditors;
 - (2) review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The audit committee should discuss with the external auditors the nature and scope of the audit and the related reporting obligations before the audit commences;
 - (3) develop and implement policy on engaging external auditors to provide non-audit services;
 - (4) review the audit results letter presented by external auditors to the management, as well as any material queries raised by the auditors to the management about accounting records, financial accounts or monitoring systems, and the management's response;
 - (5) ensure that the Board will timely respond to the matters raised in the audit results letter presented by external auditors to the management; and
 - (6) act as the key representative body for overseeing the Bank's relations with the external auditors and being responsible for the communications between internal and external auditors to ensure that internal and external audit work has been coordinated.
3. being responsible for the Bank's annual audit and overseeing the senior management to rectify the issues raised in the audit and implement audit recommendations;
4. review and approve the Bank's internal audit system and supervise its implementation, review, evaluate and report to the Board on the internal audit on a regular basis, and ensure that the internal audit department has sufficient resources for operation and proper status;
5. examine the Bank's financial reporting system, risk management system and internal control system and their implementation;
6. urge the senior management to develop and implement anti-money laundering policies, systems and procedures, supervise the work of the anti-money laundering, listen to senior management reports on major anti-money laundering matters and make decisions on the policy adjustments in a timely manner; and
7. perform other duties required by the laws and regulations, rules and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.



During the Reporting Period, the audit committee convened 2 meetings, at which 12 proposals were considered, mainly including the 2019 financial report, the 2019 profit distribution plan, the 2019 internal audit work report, the engagement of auditors for 2020, the 2019 special audit reports on consolidated statements management, the financial report for the six months ended 30 June 2020 and the 2020 interim report. In addition, the audit committee held 2 meetings with the auditors and 2 meetings with the auditors in the absence of the management in accordance with the code provisions of the Code.

(II) *Nomination and Remuneration Committee*

As at 31 December 2020, the Bank's nomination and remuneration committee consisted of five Directors, including Mr. XING Tiancai as the chairman, and Mr. QIU Huofa, Mr. ZHANG Qiyang, Mr. KEUNG Chak and Mr. LI Jinyi as members. As of the Latest Practicable Date, the Bank's nomination and remuneration committee consisted of five Directors, including Mr. NI Guoju as the chairman, Mr. QIU Huofa as the vice chairman, and Mr. ZHU Jialin, Mr. KEUNG Chak and Mr. LI Jinyi as members. The composition of the nomination and remuneration committee of the Bank complies with Rule 3.25 of the Listing Rules and paragraph A5 of the Code.

The primary duties of the nomination and remuneration committee include:

1. review, at least annually, the structure, size and composition (including the skills, knowledge and experience) of the Board, according to the Bank's operation, asset size and ownership structure, and make recommendations with regard to any contemplated changes made to the Board in line with the Bank's development strategy and operation strategy implementations;
2. research and formulate the procedures and standards for electing the Directors and senior management, identify individuals with suitable qualifications for Directors and senior management of the Bank, and make recommendations to the Board;
3. conduct preliminary reviews of the qualifications of potential Directors and senior management, and make recommendations to the Board;
4. assess the independence of the independent non-executive Directors;
5. make recommendations to the Board on the appointment or re-appointment of Directors and succession plan for Directors, in particular, the Chairman and President of the Bank;
6. develop and review in appropriate cases the Bank's policy concerning diversity of the Board members, and make disclosure of the relevant policy or a summary of the policy in the corporate governance report of the Bank;
7. study and formulate the standards for appraising Directors and senior management and conduct appraisals and put forward proposals to the Bank;



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8. review the remuneration management policies and systems of the Bank, formulate appraisal, compensation and incentive plans for the Directors and senior management, and make recommendations to the Board and supervise the implementation of the relevant policies, systems and plans. The nomination and remuneration committee must consult the Chairman or the President of the Bank in respect of the remuneration suggestions of executive Directors and senior managers;
9. review and approve remuneration suggestions by management based on the corporate goals and objectives formulated by the Board;
10. determine the remuneration packages of the executive Directors and senior management under authorisation of the Board, or make suggestions to the Board in respect of the remuneration packages of the executive Directors and senior management;
11. make suggestions to the Board in respect of the remuneration packages of the non-executive Directors;
12. consider the salaries paid by similar banks, time and responsibilities required for the posts and terms of employment of the Bank's other posts;
13. review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable but not excessive;
14. review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct, and ensure that such compensation is consistent with the terms of the contract; if inconsistent, the compensation must be fair and reasonable;
15. ensure that no Director or any of their associates is involved in deciding his or her own remuneration; and
16. perform other duties required by the laws and regulations, rules, and the securities regulatory authority where the Bank's shares are issued and listed, or authorised by the Board.

During the Reporting Period, the nomination and remuneration committee convened 4 meetings, at which 15 proposals were considered, mainly including matters such as the appointment of Directors and senior management, election of Directors and Chairman, the appraisal report on the performance of duties by Directors for 2019 and the report on the work of independent non-executive Directors for 2019. During the process of election of Directors and Chairman, the nomination and remuneration committee evaluated the skills, knowledge and experience of the candidates, and preliminarily reviewed the candidate's qualifications in accordance with relevant laws and regulations. The nomination and remuneration committee make recommendations to the Board in conjunction with relevant policies of the Company, including but not limited to the diversity policy of the Board.



The diversity policy of the Board is summarised as follows:

The Board believes that a board of directors with a diverse composition will enable the Bank to, in a more efficient manner, improve the work quality of the Board, understand and meet customer needs and enhance decision-making ability of the Board. In selecting candidates, the Board and the nomination and remuneration committee consider a large number of factors including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge and years of service, in order to achieve the diversity of members of the Board. The nomination and remuneration committee reports annually on the composition of the Board from the perspective of diversity. The Board considers that the current structure and composition of the Board is appropriate to enable it to carry out its responsibilities of leadership and monitoring of the Bank.

As at the end of the Reporting Period, the Board comprised 14 Directors, including 1 persons who were ordinarily resident in Hong Kong. The Board is diverse in terms of gender, education background, professional experience, skills knowledge and service term of its members.

(III) Strategic Development Committee

As of 31 December 2020, the Bank's strategic development committee consisted of four Directors, including Mr. QIU Huofa as the chairman, and Mr. ZHANG Qiyang, Mr. ZHAO Weiqing and Mr. XING Tiancai as members. As at the Latest Practicable Date, the Bank's strategic development committee consisted of four Directors, including Mr. QIU Huofa as the chairman, Mr. SU Qingxiang as the vice chairman, and Mr. SHEN Guoyong and Mr. LI Jinyi as members.

The primary duties of the strategic development committee include:

1. review and provide advice to the Board on the Bank's mid- and long-term development strategies;
2. supervise and assess the implementation of the Bank's development strategies;
3. review and provide advice to the Board on the annual budget and final accounts;
4. supervise and inspect the implementation of annual operation plans and investment plans;
5. review the strategic capital allocation (such as capital structure, capital adequacy ratio) and the objectives of assets and liabilities management;
6. review the Bank's plans for establishment of branches and sub-branches, material investment and financing, disposal of assets, mergers and acquisitions;
7. inspect and assess the integrity of the Bank's corporate governance structure; and
8. review the Bank's information technology strategic plan and annual business continuity management plan.

During the Reporting Period, the strategic development committee held 3 meetings, at which 17 proposals were considered on the matters mainly including the strategic planning of capital management, the report of the Board of Directors for 2019, the institutional development plan for 2020, the evaluation report for capital adequacy ratio for 2019 and the issuance of bonds.



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(IV) Related Party Transactions Control Committee

As of 31 December 2020, the Bank's related party transactions control committee consisted of four Directors, including Mr. NI Guoju as the chairman, and Mr. WANG Yigong, Mr. TAI Kwok Leung, Alexander and Mr. XING Tiancai as members. As of the Latest Practicable Date, the Bank's related party transactions control committee consisted of 5 Directors, including Mr. LI Jinyi as the chairman, Ms. ZHANG Jun as the vice chairman, and Mr. SHI Yang, Mr. NI Guoju and Mr. XING Tiancai as members.

The primary duties of the related party transactions control committee include:

1. identify related parties of the Bank and report to the Board of Directors and the Board of Supervisors, and notify the relevant departments of the Bank of the related parties;
2. conduct review of related party transactions subject to review by the Board and submit such related party transactions to the Board for review, or review the related party transactions within its scope of authority;
3. supervise related party transactions conducted by the Bank; and
4. review the Bank's annual related party transactions and the plan for related party transactions control, and submit the same to the Board for review.

During the Reporting Period, the related party transactions control committee held 6 meetings, at which 32 proposals were considered on the matters mainly including 2019 annual review of related party transactions and the 2020 control plan for related party transactions, identifying related parties as at the end of 2019 and 2019 work review and 2020 work plan of the related party transactions control committee.



(V) Risk Control and Consumers' Rights Protection Committee

As of 31 December 2020, the Bank's risk control and consumers' rights protection committee consisted of four Directors, including Mr. LI Jinyi as the chairman, and Mr. WU Gang, Mr. LI Yuguo and Mr. NI Guoju as members. As at the Latest Practicable Date, the Bank's risk control and consumers' rights protection committee consisted of five Directors, including Mr. XING Tiancai as the chairman, Mr. SHEN Guoyong as the vice chairman, and Ms. LI Ying, Mr. JI Kun and Mr. TAI Kwok Leung, Alexander as members.

The primary duties of the risk control and consumers' rights protection committee include:

1. ensure the effectiveness of the Bank's risk management system and that the risks faced by the Bank's business are under control;
2. review and amend the Bank's policies and reports of risk management; and conduct supervision and evaluation on its implementation in accordance with the Bank's general strategy;
3. conduct regular review of the risk report submitted by the senior management;
4. ensure that necessary measures are adopted by the senior management to identify, evaluate, measure, detect, control and mitigate risks;
5. review and approve the Bank's compliance policies, conduct regular review of the compliance risk report submitted by the senior management, and supervise the implementation of the compliance policies; and
6. conduct regular review of the Bank's information technology risk management report and the Bank's business continuity assessment report.

During the Reporting Period, based on the overall risk management strategies of the Bank, the risk control and consumers' rights protection committee reviewed and amended the Bank's risk management policies, regularly reviewed the risk reports submitted by the senior management to further understand the Bank's risk management work and the effectiveness of relevant measures, and made recommendations to the Board.

During the Reporting Period, the risk control and consumers' rights protection committee held 2 meetings, at which 16 proposals were considered on the matters mainly including the 2019 comprehensive risk management report, 2019 compliance risk management report, 2019 information technology risk management report, 2019 liquidity risk management report, 2019 internal control evaluation report and 2019 anti-money laundering risk management report.



CORPORATE GOVERNANCE REPORT

BOARD OF SUPERVISORS

Composition of the Board of Supervisors

As at the end of the Reporting Period, the Board of Supervisors comprised nine Supervisors, including three Shareholder representative Supervisors, namely, Mr. HAN Li, Mr. YUEN Wing Shing and Mr. PAN Wenge, three External Supervisors, namely, Mr. BA Junyu, Mr. SUN Hang and Ms. CHENG Hua, and three Employee Representative Supervisors, namely, Mr. YU Xiaolong, Mr. NIU Jiao and Ms. XU Li.

Chairman of the Board of Supervisors

Mr. HAN Li serves as the chairman of the Board of Supervisors and is responsible for organising the performance of duties of the Board of Supervisors.

Meetings of the Board of Supervisors

In 2020, the Board of Supervisors held a total of 5 meetings, at which 37 proposals were considered and heard, and approved on matters including the 2019 work report of the Board of Supervisors, the 2019 supervision and evaluation report, the 2019 annual report, the 2019 comprehensive risk management report, the 2019 evaluation report on internal control, the 2019 financial accounts and the 2020 budget report, the 2019 profit distribution plan and performance appraisal on the Directors, Supervisors and senior management of the Bank.

During the Reporting Period, the External Supervisors performed their supervisory duties in accordance with the laws, regulations, the Articles of Association of the Bank and the Rules of Procedures of the Board of Supervisors, and actively participated in the special supervision and research activities of the Board of Supervisors. They duly performed their supervisory duties, exercised their supervisory power according to the laws and effectively exerted their supervision and counter-balance functions in corporate governance.



Attendance records of the Supervisors at the meetings of the Board of Supervisors and the committees under the Board of Supervisors during the Reporting Period are set out below:

Members of the Board of Supervisors	Attendance in person/by proxy/required attendance (times)		
	Board of Supervisors	Supervision Committee	Nomination Committee
Shareholder Representative Supervisors			
HAN Li	2/0/2	0/0/0	0/0/0
YUEN Wing Shing	2/0/2	0/0/0	0/0/0
PAN Wenge	5/0/5	2/0/2	0/0/0
External Supervisors			
BA Junyu	5/0/5	2/0/2	0/0/0
SUN Hang	5/0/5	0/0/0	2/0/2
CHENG Hua	2/0/2	0/0/0	0/0/0
Employee Representative Supervisors			
YU Xiaolong	2/0/2	0/0/0	0/0/0
NIU Jiao	2/0/2	0/0/0	0/0/0
XU Li	2/0/2	0/0/0	0/0/0
Former Supervisors			
YANG Liya	3/0/3	2/0/2	2/0/2
SHI Yang	3/0/3	2/0/2	0/0/0
WANG Lijun	3/0/3	0/0/0	2/0/2
LIU Huidi	3/0/3	0/0/0	2/0/2
YU Haobo	3/0/3	0/0/0	2/0/2
DAI Qiang	3/0/3	2/0/2	0/0/0

Note: Attendance in person includes participation by way of physical attendance as well as electronic means such as telephone and online video conference.



CORPORATE GOVERNANCE REPORT

Committees under the Board of Supervisors

The Bank has established a supervision committee and a nomination committee under the Board of Supervisors. The committees operate in accordance with terms of reference established by the Board of Supervisors.

(I) *Supervision Committee*

As at 31 December 2020 and the Latest Practicable Date, the Bank's supervision committee under the Board of Supervisors consisted of five Supervisors, including Mr. BA Junyu as the chairman, and Mr. HAN Li, Mr. PAN Wenge, Ms. CHENG Hua and Mr. NIU Jiao as members.

The primary duties of the supervision committee include:

1. draft specific plans on supervising and examining the Bank's financial activities, operating decisions, internal control and risk management with the authorisation of the Board of Supervisors and based on the needs, put forward them to the Board of Supervisors for consideration and implement such plans upon approval;
2. review and provide advice to the Board of Supervisors on the Bank's annual financial report, annual audit report, profit allocation plan formulated by the Board; and
3. when becoming aware of any unusual operating condition of the Bank, or upon the occurrence of significant contingencies or major risk events, formulate investigation plans according to the decision of the Board of Supervisors, and if necessary, organising relevant staff or engaging intermediaries, such as accounting firms and law firms, for assistance.

During the Reporting Period, the supervision committee held 2 meetings, at which 25 proposals were considered and 6 proposals were heard on the matters mainly including the 2019 supervisor review report, the 2019 comprehensive risk management report, the 2019 internal control review report, the 2019 internal audit work report and the 2019 special audit report on 2019 internal control review report and IT service management.



(II) Nomination Committee

As at 31 December 2020 and the Latest Practicable Date, the Bank's nomination committee under the Board of Supervisors consisted of five Supervisors, including Mr. SUN Hang as the chairman and Mr. HAN Li, Mr. YUEN Wing Shing, Mr. YU Xiaolong and Mr. XU Li as members.

The primary duties of the nomination committee include:

1. provide advice to the Board of Supervisors on the composition and members of the Board of Supervisors based on the Bank's operational and management status, total asset value and shareholding structure;
2. research on the procedures and criteria for selecting Supervisors, conduct preliminary review on the qualifications of Supervisor candidates, and provide advice to the Board of Supervisors;
3. seek qualified supervisor candidates;
4. supervise the procedures for selection and appointment of Directors;
5. conduct comprehensive evaluation on the work performance of Directors, Supervisors and senior management and report to the Board of Supervisors; and
6. supervise the rationality and reasonableness of the remuneration management system and policies of the Bank and the remuneration packages for the senior management.

During the Reporting Period, the nomination committee held 2 meetings, at which 5 proposals were considered, being the 2019 work report of the nomination committee of the Board of Supervisors, the 2019 report of the Board of Supervisors on the performance evaluation of Directors, Supervisors and senior managers, the 2019 proposal on the performance appraisal of senior managers and the proposal on the list of candidates for Supervisors of the seventh Board of Supervisors.



CORPORATE GOVERNANCE REPORT

SENIOR MANAGEMENT

The senior management, as the executive body of the Bank, is accountable to the Board and supervised by the Board of Supervisors. The division of authority between the senior management and the Board is in strict accordance with the Articles of Association and other corporate governance documents of the Bank.

The President has the right to organise and develop business and management activities in accordance with the laws, regulations, rules, the Articles of Association and under the authorisation of the Board. The President has the following functions and powers:

1. take charge of the business operation and management of the Bank, organise the implementation of the resolutions of the Board of Directors and report the work to the Board of Directors;
2. submit business plans and investment proposals to the Board of Directors on behalf of the senior management, and organise the implementation of Board resolutions, annual plans of the Bank and investment proposals upon approval by the Board of Directors;
3. draft proposals on the establishment of the Bank's internal management departments;
4. set up the Bank's basic management system;
5. formulate the Bank's specific regulations;
6. decide to engage or dismiss management other than those to be engaged or dismissed by the Board of Directors;
7. authorise persons in charge of internal departments and branches to conduct operational activities;
8. formulate proposals on wages, benefits, rewards and punishment of the Bank's staff, and decide on their appointment and dismissal;
9. adopt emergency measures when any major emergency, such as bank run, arises and promptly report them to the banking regulatory authority of the State Council and the Board of Directors and the Board of Supervisors; and
10. other powers and rights conferred by the Articles of Association and by the Board of Directors.



Total before tax remuneration paid to the senior management (excluding the Directors) by bands for the year ended 31 December 2020 is set out below:

Remuneration bands	Number of individuals
Nil to RMB2,000,000	2
RMB2,000,001 to RMB3,000,000	1
RMB3,000,001 to RMB4,000,000	3

DELEGATION OF POWER BY THE BOARD

The management led by the Board exercises its powers in accordance with its responsibilities as set out in the Articles of Association. Apart from implementing resolutions of the Board, the management takes charge of the daily operation and management of the Bank. Major capital expenditure items must be approved by the Board through the annual budget proposal before execution. Any items that are either not included in the budget proposal, or included in the budget proposal but without detailed expenditures, will be decided by the management with the authorisation by the Board.

Such other matters delegated by the Board to the management include loans and guarantees, related party transactions, mortgage financing and guarantees, inter-bank financing business, acquisition of fixed assets, disposal of assets, disposal of non-performing assets and mortgaged assets, write-off of assets, donations to external bodies, and establishment, merger and cancellation and relocation of non-independent accounting sub-branches, provided that the amount of such transaction does not exceed a certain limit. For details, please refer to the section headed “Corporate Governance Report – The Board and Special Committees”.

CHAIRMAN AND PRESIDENT

The roles and functions of the Chairman and the President of the Bank are carried out by different persons. For details of the Chairman and the President of the Bank, please refer to the section headed “Directors, Supervisors, Senior Management and Employees”.

The Chairman of the Board is responsible for overall strategic planning and presiding over the Board, to ensure that the Board works effectively and timely considers all significant matters. The President is responsible for business development and overall operation and management of the Bank. The President is appointed by and accountable to the Board, and must perform his duties in accordance with the Articles of Association and authorisation of the Board. The roles of the Chairman and the President are separated with a clear division of responsibilities. The management is responsible for the day-to-day operation and management.

During the Reporting Period, the Chairman held 2 meetings with the independent non-executive Directors in the absence of other Directors.



CORPORATE GOVERNANCE REPORT

SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Bank adopted the Rules for Securities Transactions by Directors, Supervisors and Key Employees of Shengjing Bank Co., Ltd. (the “Rules for Securities Transactions”) regarding securities transactions by Directors, Supervisors and certain key employees on terms not less exacting than the required standard in the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules.

Having made specific enquiries to all Directors and Supervisors, each of the Directors and Supervisors has confirmed that they complied with the Rules for Securities Transactions during the Reporting Period.

EXTERNAL AUDITORS AND AUDITORS’ REMUNERATION

The audit opinion of the external auditors engaged by the Bank and their responsibilities are set out in the “Independent Auditor’s Report”.

The Bank engaged KPMG and KPMG Huazhen LLP as the international and domestic auditors of the Bank for 2020, respectively. The fees as agreed to be paid by the Bank to KPMG and KPMG Huazhen LLP for the total audit fee for the year ended 31 December 2020 was RMB6.50 million.

The Bank agreed to pay KPMG Advisory (China) Limited Beijing Branch for the non-auditing services for the year ended 31 December 2020 a fee of RMB0.9 million.

INTERNAL CONTROL

Risk Management and Internal Control

(I) *Management System*

The Board is responsible for the establishment and implementation of a sound risk management and internal control system as well as regularly conducting comprehensive assessment. The Board of Supervisors supervises the establishment and implementation of risk management and internal control by the Board and senior management. The senior management is responsible for the day-to-day operation of risk management and internal control across the Bank. Meanwhile, the Board has established the audit committee, the risk control and consumers’ rights protection committee and the related party transactions control committee to fulfill the corresponding responsibilities of risk management and internal control and evaluate the effectiveness of such risk management and internal control.

The Board attaches great importance to the construction of risk management and internal control, and has established a risk management system featuring “uniform leadership, vertical management and hierarchical accountability” to identify, assess and manage the major risks related to the Bank. In particular, the Bank complies with the requirements on the establishment of risk management and internal control under, among others, the PRC Commercial Banking Law, the Basic Rules on Enterprise Internal Control (《企業內部控制基本規範》), the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》) and the guidelines issued by the Basel Committee on Banking Supervision. Accordingly, the Bank developed a risk management and internal control system which covers such five aspects as internal environment, risk assessment, control actions, information and communication, and internal supervision and is in line with the Bank’s development strategies, operating scale, scope of business and risk appetite. The Board, the Board of Supervisors and senior management constantly pay attention to the effectiveness of risk management and internal control, actively promote relevant rectification and reforms and optimise its system rules, procedures and IT system, thereby encouraging its functional departments and all branches and sub-branches to strengthen risk control in order to improve business quality.

**(II) Annual Assessment**

During the Reporting Period, in accordance with the PRC Commercial Banking Law, the Law on Supervision of Banking Business, the Internal Control Guidelines for Commercial Banks (《商業銀行內部控制指引》), the Guidelines for the Comprehensive Risk Management of Banking Financial Institutions (《銀行業金融機構全面風險管理指引》) and other legal and regulatory requirements and based on the Measures for Internal Control Assessment of Shengjing Bank, the Risk Reporting Policy of Shengjing Bank and other policies, the Bank organised and conducted comprehensive assessments, conducting inspection on all major business lines, assessment by risk management department and interviews, with reference to the internal audit and external inspection during the Reporting Period. Such assessment covered all material risk control aspects of the Bank, including financial, operational and compliance. During the Reporting Period, the Board has conducted an annual review of the effectiveness of the Bank's internal control and risk management. The Board reviewed the risk management report three times and the internal control report once. The Board considers the Bank's risk management and internal control systems effective and adequate. Meanwhile, the Board believes that the resources, qualifications and experience of staff of the Bank's accounting, internal audit and financial reporting functions as well as providing them adequate trainings and financial budgets. There was no significant matter of concern during the Reporting Period.

(III) Management of Inside Information

The Bank attaches great importance to its information disclose, is in strict compliance with all regulations in the listing venues, adheres to the principles of timeliness, fairness, accuracy, truthfulness and completeness as to its information disclosure. The Bank has established procedures for information disclosure to designate the department responsible for managing inside information to satisfy the requirements of SFO and other applicable laws on information disclosure. The Bank also constantly improves its efforts in information disclosure and investor relations management, and carries out information disclosures in accordance with applicable laws.

For further details of risk management and internal control of the Bank, please refer to the sections headed "Management Discussion and Analysis – Risk Management" and "Internal Control" in this report.

COMPANY SECRETARY

Mr. Zhou Zhi is one of the joint company secretaries of the Company, while Ms. Kwong Yin Ping Yvonne, a vice president of SWCS Corporate Services Group (Hong Kong) Limited, is the joint company secretary fulfilling the relevant qualification requirements of the Hong Kong Listing Rules. The company secretary is mainly responsible for facilitating the operation of the Board of Directors, ensuring the effective communication among the members of the Board of Directors and the observation of the policies and procedures of the Board of Directors, and ensuring the compliance with Hong Kong Listing Rules and other regulations by the Bank. Each Director can discuss with, seek advice from and obtain information from the company secretary. The main contact in the Bank for Ms. Kwong Yin Ping Yvonne is Mr. Zhou Zhi.

Each of Mr. Zhou Zhi and Ms. Kwong Yin Ping Yvonne has complied with the requirements of Rule 3.29 of the Listing Rules by receiving relevant professional training for no less than 15 hours during the Reporting Period.



CORPORATE GOVERNANCE REPORT

INFORMATION DISCLOSURE

During the Reporting Period, the Bank was in strict compliance with the requirements of carrying out true, accurate, complete and timely information disclosure under relevant laws and regulations. The Bank simultaneously published 39 announcements on HKEx News and the Bank's website to enhance the transparency of the company's governance.

Effective Communication with Shareholders

The Bank places great emphasis on communication with the Shareholders, and strives to improve mutual understanding and communication with the Shareholders through various channels including general meeting, results presentation, roadshows, visitor reception and telephone enquiries.

Amendments to the Articles of Association

References are made to (i) the announcement of the Bank dated 28 August 2020; (ii) the circular of the Bank dated 4 September 2020 in relation to, among other things, the proposed amendments to the Articles of Association; and (iii) the poll results announcement of the Bank dated 20 October 2020 of the 2020 first extraordinary general meeting, in relation to, among other things, the resolution on the approval of the relevant amendments by Shareholders at the 2020 first extraordinary general meeting of the Bank.

On 14 January 2021, the CBIRC Liaoning Bureau approved the amended Articles of Association in accordance with the above contents, which came into effect on the same date.

SHAREHOLDERS' RIGHTS

Request of Shareholders for Convening an Extraordinary General Meeting

The Bank effectively protects shareholders' rights in strict compliance with regulatory regulations and its corporate governance system.

Shareholders individually or in aggregate holding 10% or more of the Bank's voting shares have the right to request in writing the Board of Directors to convene an extraordinary Shareholders' general meeting or a class shareholder meeting. The Board of Directors shall grant feedback in writing of whether to convene the extraordinary shareholders' general meeting or class shareholder meeting within 10 days from the receipt date of such request in accordance with the laws, administrative regulations and the Articles of Association. The shareholding of the above shareholders is based on their shareholdings on the date such request is proposed in writing.

The Board of Directors shall give notice of a shareholders' general meeting or a class shareholder meeting within five days from adoption of the resolution of the Board upon agreeing to convene an extraordinary shareholders' general meeting or a class shareholder meeting and any change to the original proposals stated in the notice shall obtain the consent of the relevant shareholders.

If the Board of Directors decides against the convening of an extraordinary Shareholders' general meeting or a class shareholder meeting, or the Board of Directors fails to grant feedback within 10 days from receiving the proposal, shareholders individually or in aggregate holding 10% or more of the Bank's voting shares are entitled to propose for convening an extraordinary Shareholders' general meeting or a class shareholder meeting to the Board of Supervisors in writing.



The Board of Supervisors shall give notice of a Shareholders' general meeting or a class shareholder meeting within five days from receipt of the request upon agreeing to convene an extraordinary Shareholders' general meeting or a class shareholder meeting and any change to the original proposals stated in the notice shall obtain the consent of the relevant shareholders.

If the Board of Supervisors fails to issue notice of the Shareholders' general meeting or class shareholder meeting within the stipulated period, the Board of Supervisors will be deemed not to convene or preside over the Shareholders' general meeting or class shareholder meeting and such a meeting may be convened and presided over by shareholders individually or in aggregate holding 10% or more of the Bank's voting shares for at least ninety consecutive days.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details.

Proposals at General Meetings

The Board and the Board of Supervisors as well as Shareholders individually or collectively holding 3% or more voting shares of the Bank have the right to put forward proposals at a general meeting of the Bank. Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details.

Shareholders may refer to the Articles of Association published on the websites of the Hong Kong Stock Exchange and the Bank for details of the general methods and procedures for nominating Directors and Supervisors.

PROFIT AND DIVIDEND DISTRIBUTION POLICY

According to the Articles of Association, the profit and dividend distribution policy of the Bank are as follow:

- (I) According to Article 280 of the Articles of Association, the Bank shall set aside 10% of the profits from the after-tax profits for the year to its statutory reserve fund. The Bank needs not allocate further amounts if the accumulated amount of the statutory reserve fund is over 50% of its registered capital. If the statutory reserve fund is not sufficient to cover the losses incurred in the previous year, the profits of the current year shall be used to cover such losses before any allocation to the statutory reserve fund is made in accordance with the provisions of the previous paragraph. After the Bank has set aside statutory reserve fund from the after-tax profits, the Bank, subject to the approval of the Shareholders' general meeting, may make allocation to the discretionary reserve fund from the after-tax profits after setting aside general reserves in accordance with the relevant provisions. The balance of the after-tax profits of the Bank after making up losses and setting aside statutory reserve fund may be distributed to the Shareholders in pro rata to their shareholding unless it is otherwise stipulated in the Articles of Association that the profits shall not be distributed in pro rata to the shareholding of the Shareholders. Where the Shareholders' general meeting distributes profits to Shareholders in violation of the foregoing provisions before the Bank's making up losses and setting aside statutory reserve funds, the Shareholders concerned must return to the Bank the profits distributed in violation of the provisions. Shares of the Bank held by the Bank shall not participate in the distribution of profits.
- (II) According to Article 286 of the Articles of Association, the profit distribution policy of the Bank shall emphasise the reasonable investment return to the investors and be in the interest of the Bank's long-term development. The Bank may distribute profits via bonus issue, payment of cash dividend and so on.



CORPORATE GOVERNANCE REPORT

RELATIONSHIP WITH KEY STAKEHOLDERS

The Bank considers its employees as its core assets. The Bank has established a performance-based compensation system to encourage a fair and friendly working environment. The Bank has also developed and implemented proper strategies and plans to support the career path and professional advancement of its employees.

Paying close attention to the customers' demands, the Bank has continuously diversified its products and services as well as expanded its sales channels, with a view to optimising the customer experience and expanding its client base. The Bank will continue its endeavors to provide its customers with quality products and services.

INVESTOR RELATIONS

Shareholders and investors may send enquiries to the Board as follows:

Office of the Board, Shengjing Bank Co., Ltd.
No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Tel : +86 (24) 2253 5633
Fax : +86 (24) 2253 5930
E-mail : dongshihui@shengjingbank.com.cn

Principal place of business in Hong Kong of Shengjing Bank Co., Ltd.:
Unit 4105, 41/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong

SHAREHOLDERS' ENQUIRIES

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

Computershare Hong Kong Investor Services Limited
17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel : (852) 2862 8555
Fax : (852) 2865 0990

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

Office of the Board, Shengjing Bank Co., Ltd.
No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC
Tel : +86 (24) 2253 5633
Fax : +86 (24) 2253 5930



ADDITIONAL INFORMATION

The Bank currently holds a Financial License (institution number: B0264H221010001) issued by the CBIRC Liaoning Bureau, and a Business License (unified social credit code: 91210100117809938P) issued by the Administration for Industry and Commerce of Shengyang. The Bank is not an authorised 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 authorised to carry out banking and/or deposit-taking business in Hong Kong.



REPORT OF THE BOARD OF DIRECTORS

The Board of the Bank is pleased to present the Report of the Board of Directors together with the audited financial statements of the Bank for the year ended 31 December 2020.

PRINCIPAL BUSINESS

The Bank engages in banking businesses and the related financial services.

BUSINESS REVIEW

A review of the Bank's business during the Reporting Period is set out in the section headed "Management Discussion and Analysis". The key financial performance indicators are set out in the section headed "Financial Highlights". Compliance with relevant laws and regulations which have a significant impact on the Bank can be found throughout this report, in particular, in the section headed "Corporate Governance Report". Analysis on the relationship with key stakeholders can also be found in the section headed "Corporate Governance Report".

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties faced by the Bank are set out in "Management Discussion and Analysis – Risk Management".

IMPORTANT EVENTS SINCE THE END OF THE REPORTING PERIOD

There are no important events affecting the Bank that have occurred since the end of the Reporting Period.

FUTURE DEVELOPMENT IN THE BANK'S BUSINESS

Please refer to the "Management Discussion and Analysis – Future Outlook and Development Strategy".

PROFITS AND DIVIDEND

The profit distribution policy of the Bank attaches importance to reasonable investment returns to investors and adheres to the principles that are conducive to the long-term development of the Bank. The profit distribution of the Bank may be made by way of bonus shares, cash dividends, etc. The Board of Directors is responsible for formulating profit distribution proposals. A profit distribution proposal should be determined by two-thirds or more of our Directors and approved at a general meeting by way of ordinary resolution. The independent Directors should express their opinions on the profit distribution proposals to the Board of Directors. The Board of Supervisors should review the profit distribution proposals and express its opinions on the compliance and appropriateness of such proposals. The Bank will determine whether to distribute any dividends, and in what amount, based on factors, including the Bank's results of operations, capital adequacy ratios, cash flow, financial condition, status of business operations and future prospects, the Bank's Shareholders' interests, statutory and regulatory restrictions on the Bank's dividend distribution.



The Bank's revenue for the year ended 31 December 2020 and the Bank's financial position as at the same date are set out in the section headed "Financial Statements".

Pursuant to the resolutions passed at the 2019 annual general meeting of the Bank held on 5 June 2020, it was resolved that the no final dividend for 2019 would be distributed to all Shareholders.

As approved at the meeting of the Board of the Bank held on 30 March 2021, it is proposed that no final dividend for 2020 be declared to all Shareholders. Such resolution for no distribution of dividend will be considered at the 2020 annual general meeting.

The independent non-executive Directors of the Company also expressed independent opinions on such profit distribution plan.

The amounts of cash dividend and ratios of cash dividend to profit for the year of the Bank for the past three years are as follows:

	2019	2018	2017
	<i>RMB Million, except percentages</i>		
Cash dividend (tax inclusive)	0	695.6	1,043.4
As a percentage of profit for the year	0	13.6%	13.8%

CHANGES IN THE RESERVES

Details of the changes in the reserves of the Bank and of the reserves available for distribution for the year ended 31 December 2020 are set out in the financial statements.

PLEDGE OF ASSETS

Details of the pledge of assets of the Bank for the year ended 31 December 2020 are set out in the financial statements.

SUMMARY OF FINANCIAL INFORMATION

A summary of the operating results and assets and liabilities of the Bank for the five years ended 31 December 2020 is set out in the "Financial Highlights".

DONATIONS

The charitable and other donations made by the Bank for the year ended 31 December 2020 amounted to approximately RMB5.28 million.



REPORT OF THE BOARD OF DIRECTORS

PROPERTY AND EQUIPMENT

Details of the changes in property and equipment of the Bank for the year ended 31 December 2020 are set out in Note 22 to the financial statements.

RETIREMENT BENEFITS

Details of the retirement benefits provided by the Bank to employees are set out in Note 31 to the financial statements.

SUBSTANTIAL SHAREHOLDERS

Details of the Bank's substantial shareholders as at 31 December 2020 are set out in the "Change in Share Capital and Shareholders – Interests and Short Positions of Substantial Shareholders and Other Persons" and the relevant parts of the notes to the financial statements, respectively.

PURCHASE, SALE AND REDEMPTION OF THE LISTED SECURITIES OF THE BANK

During the Reporting Period, the Bank did not purchase, sell or redeem any listed securities of the Bank.

PRE-EMPTIVE RIGHTS

There are no provisions in the Articles of Association and the relevant PRC laws for granting pre-emptive rights to Shareholders of the Bank. These Articles of Association provide that the Bank may increase its capital by offering new Shares to non-specific investors for subscription, placing or distributing new Shares to its existing Shareholders, or otherwise as permitted by the laws and administrative regulations.

MAJOR CUSTOMERS

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

SHARE CAPITAL

Details of the change in the share capital of the Bank during the year are stated in Note 33 to the financial statements.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

Details of the Directors, Supervisors, senior management and employees are stated in the section headed "Directors, Supervisors, Senior Management and Employees".



CONFIRMATION OF INDEPENDENCE BY THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Bank has received from each of its independent non-executive Directors the annual confirmation of his independence, and considered that all the existing independent non-executive Directors are independent pursuant to the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, to the knowledge of the Directors after making reasonable enquiries, the interests or short positions of the Directors, the chief executive and the Supervisors in the shares, underlying shares and debentures of the Bank or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO or as otherwise notified to the Bank and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules were set out as follows:

Domestic shares

Name	Positions held at the Bank	Nature of interests	Number of Domestic Shares held (share)	Percentage of the Domestic Shares of the bank (%)	Percentage of the Total share capital of the bank (%)
SHI Yang (石陽) ^(Note)	Executive Director	Beneficial owner	107,684	0.0017	0.0012
		Interest of spouse	5,722	0.0001	0.0001

Note: Mr. SHI Yang was appointed as an executive Director on 20 October 2020 and his eligibility to serve as Director was ratified by the CBIRC Liaoning Bureau on 12 March 2021.

Save as disclosed above, none of the Directors, the chief executive, or the Supervisors held any interests or short positions in the shares, underlying shares and debentures of the Bank or its associated corporations as at 31 December 2020.

FINANCIAL, BUSINESS AND FAMILY RELATIONSHIPS BETWEEN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

There is no relationship between each of the Directors, Supervisors and senior management of the Bank, including financial, business, family or other material relationships.

ARRANGEMENTS FOR DIRECTORS AND SUPERVISORS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Bank, its holding company or any of its subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors and Supervisors to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.



REPORT OF THE BOARD OF DIRECTORS

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS AND SERVICE CONTRACTS

Saved for the continuing connected transactions, which are exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as at 31 December 2020 and at any time during the Reporting Period, none of the Directors or Supervisors had any interest, whether directly or indirectly, in any material transaction, arrangement or contract (excluding service contracts) in relation to the Bank's business to which the Bank, or its associated companies, is a party. None of the Directors nor Supervisors has entered into any service contract with the Bank that is not determinable by the Bank within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

Save for the service contracts entered into with the management of the Bank, the Bank has not entered into any other contract with any individual, company or body corporate in relation to the management or administration of the whole or any substantial part of any business of the Bank.

DIRECTORS AND SUPERVISORS' INTERESTS IN COMPETING BUSINESSES

None of the Directors or Supervisors have any interest in businesses that compete with the business of the Bank.

CORPORATE GOVERNANCE

We are committed to maintaining high standards in corporate governance. Our approach to applying the principles and provisions of the corporate governance code are set out in the "Corporate Governance Report". In addition, the Bank's environmental policies are discussed in the "Social Responsibility Report".

RELATED PARTY TRANSACTIONS

Transactions between the Bank and the Bank's connected persons (as defined under the Listing Rules) will constitute connected transactions of the Bank under Chapter 14A of the Listing Rules. However, the certain connected transactions of the Bank during the Reporting Period can be exempted from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Bank has reviewed all its connected transactions and acknowledged that it had complied with the requirements under Chapter 14A of the Listing Rules.



The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures”, and its interpretations by the International Accounting Standards Board. Certain related party transactions set out in Note 37 to the financial statements also constitute connected transactions or continuing connected transactions as defined under the Listing Rules, but none of them, save for the Proposed Subscriptions and Issuance of Domestic Shares mentioned above, constitute any discloseable connected transaction as defined under the Listing Rules.

REMUNERATION POLICIES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Under the guidance of the relevant policies of the PRC, the Bank endeavors to improve its remuneration management measures and performance evaluation system for Directors, Supervisors and senior management.

The remuneration system for the Directors, Supervisors and senior management adheres to the principle of balancing incentives and restraints, focusing on both short-term and long-term incentives and integrating governmental control with market regulation. The remuneration system implemented by the Bank consists of basic annual salary, annual performance bonus, medium - to long-term incentives, allowances and benefits. The Bank makes contributions to various statutory pension plans organised by governments at all levels for its Directors, Supervisors and senior management.

PUBLIC FLOAT

Based on the public information available to the Bank and to the knowledge of the Directors, as at the Latest Practicable Date, the Bank has complied with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited regarding the public float.

AUDITORS AND REVIEW OF ANNUAL RESULTS

KPMG and KPMG Huazhen LLP were appointed as the international and domestic auditors of the Bank for 2020, respectively.

KPMG has audited the Bank’s financial report for 2020 prepared according to the International Financial Reporting Standards and issued an auditor’s report with no qualified opinions. The audit committee of the Bank has reviewed the results and financial reports for the year ended 31 December 2020.

PERMITTED INDEMNITY PROVISION

The Bank has arranged for appropriate insurance coverage for directors’ and officers’ liabilities in respect of potential legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) when the report of the Board of Directors is approved in accordance with section 391(1) (a) of the Companies Ordinance.



REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, the Board of Supervisors adhered to the work focus of operation and management of the Bank, carried out supervision and investigation in an orderly manner, proposed practicable opinions and suggestions of supervision, promoted the implementation of the rectification to the problems, effectively leveraged on the function of the Board of Supervisors, promoted the coordinated operation of corporate governance and the steady development of the Bank pursuant to the relevant provisions of the Company Law of the PRC, the Guidelines on the Corporate Governance of Commercial Banks, the Guidelines on the Functioning of Supervisory Board of Commercial Banks and the Articles of Association of the Bank, so as to enhance a sustainable, healthy and stable development of the Company and in accordance with the supervision idea of “focusing on major problems and contradictions”.

I. REPORT ON MAJOR WORK

The Board of Supervisors organised the convening of various meetings of the Board of Supervisors. In 2020, the Bank convened five meetings of the Board of Supervisors and four meetings of special committees, during which various matters, including the work report of the Board of Supervisors, supervision and evaluation report, performance evaluation reports of Directors, Supervisors and senior management, annual report, financial report, risk management report and other routine matters, were considered. On this basis, the Bank substantially increased the contents of the optional contents of the Board of Supervisors, such as quarterly operation supervision report, investigation report of six key branches, opinion on liquidity risk management and supervision, development strategy evaluation report, etc. to improve the independence and autonomy of the Board of Supervisors in performing their duties. All Supervisors put forward opinions and suggestions on key issues, and provide feedback to the Board of Directors and senior management to ensure the quality and efficiency of the supervision of the Board of Supervisors.

The Board of Supervisors smoothly completed the election of the Board of Supervisors. The notice of general election of the Board of Supervisors was issued and the work of candidate nomination, qualification examination and nomination of Supervisors was carried out in accordance with the procedure of selection and appointment of Supervisors. The Supervisors of the seventh Board of Supervisors and the members of the special committee of the Board of Supervisors were elected. The orientation, supervision objectives, basic responsibilities, working principles and working ideas of the new Board of Supervisors were clear, and the Summary of Supervision-related Systems of the Board of Supervisors (《監事會監督相關制度彙編》) was prepared and issued, providing sufficient basis and guarantee for Supervisors to perform their duties.

The Board of Supervisors continued to optimise the supervisory function of the Board of Supervisors, strengthened the ability of the Board of Supervisors to obtain information, revised the Implementation Rules for the Supervision of the Board of Supervisors, simplified and adjusted the reporting departments, time limits and matters, and held special scheduling meetings to keep informed of the work progress. The supervision function of the Board of Supervisors was enhanced, and the Supervisors or staff of the administrative organs were appointed to attend general meetings and the relevant meetings of the Board of Directors and the senior management as non-voting delegates to deeply participate in the formulation and implementation process of important system revision, important project arrangement, major personnel changes, major asset disposal and other business decision-making matters, and fully communicate with the Board of Directors and the senior management. The timeliness of the supervision of the Board of Supervisors has been further improved.



The Board of Supervisors solidly carried out the supervision over Directors, Supervisors and senior management in performing their duties. According to the relevant system, The Measures for the Evaluation of the Performance of Directors, Supervisors and Senior Management (《董監高履職評價辦法》) were revised in a timely manner and additional information which include, among other things, anti-money laundering management were incorporated so as to ensure the comprehensiveness of the supervision of the performance of duties by the Board of Supervisors. Focusing on the performance information of Directors and Supervisors' participation in meetings, research, speech and coordination, as well as managers' business performance, management performance and the completion of key tasks, the Board of Supervisors carried out the annual performance evaluation of directors and supervisors, issued the performance evaluation report of Directors and Supervisors, and timely made a special report to the shareholders' general meeting and the regulatory authorities.

The Board of Supervisors carried out the special supervision. Taking into account of the key concerns of the Board of Supervisors and the progress of the main works conducted throughout the Bank, the Board of Supervisors carried out special supervision on quarterly business activities, implementation of development strategies and management of liquidity risks issued special supervision reports and supervision opinions, put forward 20 rationalised suggestions, and urged to strengthen the management of key business. First, the Board of Supervisors conducted quarterly business activities supervision on a regular basis, which focused on business indicators, asset disposal, risk management, deposit growth and customer marketing to form special supervision reports and submit such reports to the Board of Supervisors for consideration. Secondly, the Board of Supervisors carried out post-strategic evaluation on a regular basis, and provide supervisory advices on dynamically adjusting development strategies, strengthening asset quality control, focusing on risk management, and improving the management level of interest rate pricing. Thirdly, the Board of Supervisors carried out supervision of liquidity risk management, through consulting data and conducting questionnaire survey, focused on the asset liability management of the Bank, issued special supervision opinions and monitored the implementation process so as to improve and refine management capability.

The Board of Supervisors carried out the special research with special emphasis. Due to the influence of the COVID-19 pandemic, the Board of Supervisors adopted on-site visits and off-site research under which research activities were conducted on the six key branches of Shenyang, Beijing, Shanghai, Tianjin, Changchun and Dalian. As a result, 26 issues and recommendations covering six different areas were addressed with the relevant feedback provided to the Board of Directors and senior management for implementation, better fulfilling the function of the Board of Supervisors' research toward facilitating business operations.



REPORT OF THE BOARD OF SUPERVISORS

II. INDEPENDENT OPINIONS ON RELEVANT MATTERS

1. Operations in Compliance with Laws and Regulations

During the Reporting Period, the Board performed its duties conscientiously and diligently, actively implemented the national financial policies and the resolutions of the General Meeting of Shareholders, consciously received the supervision of the Board of Supervisors, and deepened the strategic transformation, optimised the corporate governance system, strengthened the internal control and compliance management, improved the risk control system and promoted the development of the Company's corporate culture pursuant to the Company Law of the PRC, the Guidelines on the Corporate Governance of Commercial Banks, and the Articles of Association of the Bank, which has laid a solid foundation for the reform and development of the Bank. The senior management conscientiously implemented the regulatory requirements and the resolutions of the Board of Directors and the Board of Supervisors. In the face of the severe and complex business environment, they were steadfast in their belief and implemented the relevant initiatives efficiently to promote continuous optimisation of the structure of assets and liabilities, steadily improved the quality and efficiency of operation and management and further consolidated the asset quality.

2. Truthfulness of Financial Report of the Bank

During the Reporting Period, the Bank prepared the 2020 financial report according to the International Accounting Standards and relevant provisions of the Listing Rules, which gave a true and objective view of the financial position and operating results of the Bank.

3. Acquisition and Disposal of Assets by the Bank

During the Reporting Period, no insider trading nor activities that may damage the shareholders' rights and interests or cause a loss of assets has been identified in respect of any material acquisition or disposal of assets.

4. Related-party Transactions

During the Reporting Period, the Bank's related-party transactions were in compliance with the Administrative Measures on Related-Party Transactions with Insiders and Shareholders of Commercial Banks. Such related-party transactions were fairly and reasonably priced and were not detrimental to the interests of the Shareholders or the benefits of the Bank.

5. Internal Control

During the reporting period, the Bank adhered to the concept of compliance, re-examined the Bank's rules and regulations, focused on improving the implementation of the system, and greatly improved the level of internal control. The Board of Supervisors was not aware of any material defect in the design or implementation of the Bank's internal control system.

6. Implementation of the Resolutions of Shareholders' General Meetings

During the Reporting Period, the Board of Supervisors had no objection to any resolution or report submitted by the Board of Directors to the shareholders' general meetings in 2020, and the Board of Directors and the senior management had duly implemented the resolutions of the shareholders' general meetings.



SOCIAL RESPONSIBILITY REPORT

During the Reporting Period, the Bank adhered to the market positioning of “serving the local economy, small and medium-sized enterprises as well as urban and rural residents”, integrated the social responsibility of financial enterprises into its daily operation and management, actively responded to a series of national policies of supporting the real economy and reducing fees and interests in the face of the sudden impact of the epidemic, better performed the “six stabilities” work by adopting a practicable approach, implemented the “six guarantees” task so as to contribute to the society and continued to improve the quality and efficiency of serving the real economy and inclusive finance.

(I) BUILDING A STRONG ANTI-PANDEMIC SHIELD TO PROVIDE HEART WARMING SERVICE

In the face of the COVID-19 outbreak, the Bank fully implemented decisions made by and deployment of the Party Central Committee, the State Council and the work requirements of provincial and municipal governments. By insisting that the prevention and control of the pandemic is both a command and a responsibility, the Bank bravely undertook its mission, and took the initiative to comprehensively improve the efficiency of financial services.

The Bank took the initiative to coordinate with the medical institutions and drug production and distribution enterprises engaging in relevant pandemic prevention and control, responded rapidly to the financing needs of enterprises involved in pandemic-related work, and took various measures to meet the financing needs of enterprises in the process of purchasing equipment, expanding production and providing supplies and also in respect of transportation and sales process.

The Bank continued to enhance its ability in offering inclusive financial services, continued to tilt towards small and micro enterprises in terms of favourable policies and credit resources, and provided high-quality and efficient financial services and a strong financial guard in fighting against the pandemic.

The Bank has always put the life safety and health of customers and employees in the first place, actively built a “protective network” of business outlets, continuously sped up the response of online services, and effectively protected the interests and health of customers.



SOCIAL RESPONSIBILITY REPORT

(II) PERSISTING IN DEVELOPING AN INNOVATION-DRIVEN OPERATIONS WITH CONTINUOUS IMPROVEMENT IN SERVICE CAPABILITY

Through in-depth construction of differentiated and specialised customer management system, the Bank created a panoramic, integrated digital customer service system covering a full suite of products and channels and full scene and continuously improved its capability in providing comprehensive services to customers.

The Bank continued to promote product innovation and developed products such as three-tier structured deposit, intelligent deposit transfer platform, certificates of deposit with special theme, automatic renewal of fixed deposit, automatic transfer of wages to deposits, payroll loans, provident fund loans, elite loans and “Shengxintong” (盛薪通), to effectively meet the increasingly diversified needs of financial services customers.

The Bank continued to promote the upgrade of functions and the optimisation of the work process of its mobile and online banking services, and completed the development of a number of functions which included, amongst others, mobile banking wealth version, distribution zone, new wealth customer zone, transaction record-printing, transaction password, “benefiting people’s livelihood and promoting consumption” activities, etc., to further promote the innovation of e-banking services and enhance customers’ experience in using such functions.

(III) PROMOTING GREEN CREDIT AND SUSTAINABLE DEVELOPMENT

The Bank treated the development of green credit as equally important as achieving sustainable development, supported the elimination of backward production capacity, controlled credit risks on a full-process basis, focused on regional development to increase credit investment in pillar industries, strategic emerging industries, and industrial upgrade in key industries, and paid attention to technological reforms in connection with low-carbon environmental protection, energy conservation and emission reduction, environmental protection and energy-saving, and to pollution treatment addressing key sources of pollutants in order to promote the coordinated development of economy, society, resources and environment.



(IV) RANKING FIRST IN TERMS OF THE ABILITY TO PAY TAXES IN THE FINANCIAL INDUSTRY IN LIAONING PROVINCE, AND CONTINUING IMPROVEMENTS IN REGIONAL ECONOMIC CONTRIBUTION

The total tax payment of the Bank for the year 2020 amounted to RMB3,341 million, with a year-on-year growth of RMB374 million. The tax payment made in Shenyang area was RMB2,542 million. As a key tax source enterprise in the city and province, the tax paid by the Bank always rank top among tax paying enterprises in Shenyang and Liaoning Province and ranked first in the financial industry. At the same time, the Bank delivered its social responsibility to support and promote the development of enterprises, provided strong financial and tax support for governments at all levels, and made outstanding contributions to the regional economy.

(V) SUPPORTING SOCIAL PUBLIC WELFARE UNDERTAKINGS AND PROVIDING ASSISTANCE TO ELIMINATE POVERTY

The Bank continued to implement the poverty alleviation policies designated by the municipal Party Committee and the municipal government, and carried out targeted poverty alleviation campaigns in Zhoutuozi, Xinmin City. In 2020, the Bank invested RMB240,000 to complete two poverty alleviation projects, including the setting up of nine garbage stations and the construction of eight warm houses for poor households; gave guidance to the branch to carry out the poverty alleviation campaigns of the first secretaries in Xinmin, Kangping and Liaozhong, and helped poor households alleviate poverty by adjusting the industrial structure and resolving the household registration issues suffered by poor households, etc..

In 2020, the Bank actively participated in public welfare undertakings, organised various forms of public welfare charitable activities, and donated a total of RMB5.04 million to social charities such as the provincial and municipal public security system, the municipal foundation for the disabled, and the municipal foundation of courageous acts. In 2020, the Bank was awarded the honorary title of “Excellent Financial Institutions In Poverty Alleviation Pioneer” by finance.china.com.cn (中國網財經中心).



SOCIAL RESPONSIBILITY REPORT

(VI) WIDELY ATTRACTING EXCELLENT TALENTS AND CONSOLIDATING TEAM BUILDING

The Bank fully implemented the strategy of “developing the Bank through talents”. The Bank was also committed to attracting highly educated and high-quality graduates from universities as well as outstanding talents from peer industry in China by providing them with broad promotion opportunities, sound environment for professional development and effective incentive mechanism and by cultivating positive corporate culture and vision, so as to create a high-spirited working atmosphere in which employees make progress while competing with each other and to build up an ambitious and enterprising team of employees.

(VII) PROMOTING COMPREHENSIVE PROTECTION OF CONSUMERS’ RIGHTS AND CREATING A RESPONSIBLE BANK

In 2020, the Bank meticulously organised the annual promotion project of consumer rights protection, strengthened the construction of consumer rights protection organisations, continued to improve the system, strictly carried out scrutiny, advanced protection work of consumer rights, carried out a series of publicity and education campaigns for promoting financial literacy in a comprehensive way strengthened the development of the team in charge of the financial-based publicity and education, improved the financial literacy and safety awareness among financial consumers, provided care for special groups, constantly strengthened the complaint management, and effectively safeguarded the legitimate rights and interests of financial consumers.



INTERNAL CONTROL

The objectives of the Bank's internal control are to reasonably guarantee the legality and compliance of its operation and management, the effectiveness of asset safety and risk management, and the authenticity and integrity of relevant information, to improve the operation efficiency and effect, and to promote the implementation of its development strategies. In 2020, the Bank successfully completed the change of session of the Board of Directors and the Board of Supervisors respectively, and elected a leadership group for the new session. By clearly defining the respective responsibilities of the Board of Directors, the Board of Supervisors and the senior management, establishing a modern corporate governance system under which the decision-makers shall be responsible for managing strategies, risks, incentives and constraints, the senior management be responsible for managing the day-to-day operation, and the Board of Supervisors for performing supervisory functions.

The Bank continuously improved its internal control system and regularly organised the maintenance and updates of the system in accordance with the requirements of supervision and policies of the Bank to ensure that the system covered all business areas and risk points, and that every business operation had "rules and evidence to follow". With the management objectives of "formulation", "learning", "implementation" and "management", we formulated the system with scientific plans, set up the systems by learning from intensive training, implemented the system through strict enforcement, and managed the system with dynamic re-examination so as to build a management system suitable for our development strategy, business strategy, business scope and risk characteristics.

During the Reporting Period, the Bank continuously strengthened the comprehensive risk management. Firstly, the Bank further improved its organisational structure of risk management, completed stationing risk managers responsible for different business lines and branches, implemented line management by risk directors, and established a management system of risk directors covering horizontal business lines and vertical business organisations. Secondly, the Bank rebuilt the comprehensive risk management system and formulated a risk management manual covering all business lines taking into account of the latest guidance on regulatory policy, which effectively consolidated the risk management system. Thirdly, the Bank improved the unified credit management system with corporate customers as the core, continuously strengthened monitoring and warning on credit risk and post-loan risk management, and significantly improved the quality and efficiency of credit risk management and control.

During the Reporting Period, the Bank strengthened the compliance mechanism of internal audit. Firstly, the Bank improved the supervision function of internal audit, strengthened the infrastructure of internal audit, and continuously expanded the depth and breadth of audit based on the requirements of external regulatory requirements and the main risk points underlying the operation and management of the Bank, so as to effectively leverage on the supervision and evaluation of internal audit. Secondly, the Bank adhered to the business philosophy of "compliance as a key foundation of the Bank", vigorously promoted the compliance culture, imposed more stringent punishments for violations of laws and regulations, successfully achieved a compliant operation, respected supervision and the regulatory system and enforced the system to secure wide support.



INDEPENDENT AUDITOR'S REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

Independent auditor's report to the shareholders of Shengjing Bank Co., Ltd.

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

OPINION

We have audited the consolidated financial statements of Shengjing Bank Co., Ltd. (the "Bank") and its subsidiaries (collectively the "Group") set out on pages 140 to 282, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the PRC, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST

Refer to note 19 and 20(c) to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

The determination of loss allowances using the expected credit loss model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions.

How the matter was addressed in our audit

Our audit procedures to assess loss allowances of loans and financial investments measured at amortised cost included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of loans and financial investments measured at amortised cost, the credit grading process and the measurement of loss allowances. For the key underlying systems used for the processing of transactions in above processes, we utilised our information technology specialists to assess the design, implementation and operating effectiveness of a selection of relevant automated controls within these systems. We also assessed the design, implementation and operating effectiveness of the key internal controls over these underlying systems, including controls over access to these systems and controls over data and change management;
- assessing the reliability of the expected credit loss model used by management in determining loss allowances, including assessing the appropriateness of the key parameters and assumptions in the expected credit loss model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;



INDEPENDENT AUDITOR'S REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19 and 20(c) to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

In particular, the determination of the loss allowances is heavily dependent on the external macro environment and the Group's internal credit risk management strategy. The expected credit losses for corporate loans and financial investments are derived from estimates including the historical losses, internal and external credit grading and other adjustment factors. The expected credit losses for personal loans are derived from estimates whereby management takes into consideration historical overdue data, the historical loss experience for personal loans and other adjustment factors.

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. Management refers to valuation reports issued by qualified third party valuers and considers the influence of various factors including the market price, location and use when assessing the value of property held a collateral. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period.

How the matter was addressed in our audit

- assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model. For key parameters derived from internal data relating to original loan agreements, we compared the total balance of the loan and financial investment list used by management to assess the allowances for impairment with the general ledger, selecting samples and comparing individual loan and investment information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loan and investment list. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources;
- for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral. As part of these procedures, we challenged the Group's revisions to estimates and input parameters, compared with prior period and on transition to the new accounting standard and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development;

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19 and 20(c) to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

We identified the impairment of loans and advances to customers and financial investments measured at amortised cost as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.

How the matter was addressed in our audit

- for key parameters used in the expected credit loss model which were derived from system-generated internal data, assessing the accuracy of input data by comparing the input data with original documents on a sample basis.
- evaluating the validity of management's assessment on whether the credit risk of the loan has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting risk-based samples. We analysed the portfolio by industry sector to select samples in industries more vulnerable to the current economic situation with reference to other borrowers with potential credit risk. We checked loan overdue information, making enquiries of the credit managers about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses;



INDEPENDENT AUDITOR'S REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

LOSS ALLOWANCES OF LOANS AND FINANCIAL INVESTMENTS MEASURED AT AMORTISED COST (CONTINUED)

Refer to note 19 and 20(c) to the consolidated financial statements and the accounting policies in note 2(f).

The Key Audit Matter

How the matter was addressed in our audit

- for selected samples of loans and financial investments measured at amortised cost that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows challenged the viability of the Group's recovery plans, and evaluated other credit enhancements that are integral to the contract terms;
- recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of loans and investments where the credit risk of the loan has not, or has, increased significantly since initial recognition, respectively.
- evaluating whether the disclosures on impairment of loans and financial investments measured at amortised cost meet the disclosure requirements in the prevailing accounting standards.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Refer to note 20(a) and 20(b) to the consolidated financial statements and the accounting policies in note 40.

The Key Audit Matter

Financial instruments carried at fair value account for a significant part of the Group's assets. The effect of fair value adjustments of financial instruments may impact either the profit or loss or other comprehensive income.

The valuation of the Group's financial instruments, held at fair value, is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from active market readily available data. For level 2 financial instruments in the fair value hierarchy, the valuation techniques for which use quoted market prices and observable inputs, respectively.

The Group has developed its own models to value certain financial instruments, which also involve significant management judgement.

We identified assessing the fair value of financial instruments as a key audit matter because of the degree of complexity involved in valuing certain financial instruments and because of the degree of judgement exercised by management in determining the inputs used in the valuation models.

How the matter was addressed in our audit

Our audit procedures to assess the fair value of financial instruments included the following:

- understanding and assessing the design, implementation and operating effectiveness of key internal controls over the valuation, independent price verification, front office and back office reconciliations and model approval for financial instruments;
- performing independent valuations, on a sample basis, of financial instruments and comparing our valuations with the Group's valuations. Our procedures included comparing the valuation models of the Group with our valuation methods, and developing parallel models to revalue;
- assessing whether the disclosures in the consolidated financial statements with reference to the requirements of the related financial reporting standards, and appropriately reflected the Group's exposure to financial instrument valuation risk.



INDEPENDENT AUDITOR'S REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

CONSOLIDATION OF STRUCTURED ENTITIES

Refer to note 42 and 43 to the consolidated financial statements and the accounting policies in note 46(f).

The Key Audit Matter

Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. The Group may acquire or retain an ownership interest in, or act as a sponsor to, a structured entity through issuing a wealth management product, an asset management plan, a trust plan or an asset-backed security.

In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power the Group is able to exercise over the activities of the entity and the Group's exposure to and ability to influence its own returns from the entity. In certain circumstances the Group may be required to consolidate a structured entity even though it has no equity interest therein.

As at 31 December 2020, the carrying amount of the Group's non-equity interests in structured entities sponsored by third party institutions which were not consolidated by the Group was RMB143,831 million whilst, the amounts of assets held by structured entities sponsored by the Group which the Group did and did not consolidate but in which it held an non-equity interest were nil and RMB60,745 million, respectively.

We identified the consolidation of structured entities as a key audit matter because it involves significant management judgement to determine whether a structured entity is required to be consolidated by the Group or not and because the impact of consolidating a structured entity on the consolidated statement of financial position and relevant regulatory capital requirements could be significant.

How the matter was addressed in our audit

Our audit procedures to assess the consolidation of structured entities included the following:

- making enquiries of management and inspecting documents relating to the judgement process over whether a structured entity is consolidated or not to assess whether the Group has a robust process in this regard;
- selecting significant structured entities of each key product type and performing the following procedures for each entity selected:
 - inspecting the related contracts, internal establishment documents and information disclosed to the investors to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and to assess management's judgement over whether the Group has the ability to exercise power over the structured entity;
 - reviewing the risk and reward structure of the structured entity including any capital or return guarantee, provision of liquidity support, commission paid and distribution of the returns to assess management's judgement as to exposure, or rights, to variable returns from the Group's involvement in such an entity;
 - reviewing management's analyses of the structured entity including qualitative analyses and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity to assess management's judgement over the Group's ability to influence its own returns from the structured entity;
 - assessing management's judgement over whether the structured entity should be consolidated or not;
- assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.



INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Bank are responsible for the preparation of these consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors of the Bank determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Bank are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Bank are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



INDEPENDENT AUDITOR'S REPORT

(Expressed in thousands of Renminbi, unless otherwise stated)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Tat Ming.

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 March 2021



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in thousands of Renminbi ("RMB"), unless otherwise stated)

	Note	2020	2019
Interest income		42,533,959	44,944,020
Interest expense		(27,975,598)	(28,594,168)
Net interest income	3	14,558,361	16,349,852
Fee and commission income		1,574,218	1,425,284
Fee and commission expense		(885,340)	(269,848)
Net fee and commission income	4	688,878	1,155,436
Net trading losses	5	(732,922)	(838,806)
Net gains arising from investments	6	1,592,197	4,314,076
Other operating income	7	160,299	26,709
Operating income		16,266,813	21,007,267
Operating expenses	8	(5,050,086)	(4,631,365)
Impairment losses on assets	11	(10,625,363)	(10,233,200)
Profit before taxation		591,364	6,142,702
Income tax expense	12	640,577	(704,641)
Profit for the year		1,231,941	5,438,061

The notes on pages 148 to 282 form part of these financial statements.



	Note	2020	2019
Equity shareholders of the Bank		1,203,777	5,443,224
Non-controlling interests		28,164	(5,163)
Profit for the year		1,231,941	5,438,061
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
– Remeasurement of net defined benefit liability		3,338	(6,109)
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	34(d)	(304,581)	6,396
Items that may be reclassified subsequently to profit or loss			
– Financial assets at fair value through other comprehensive income:			
– net movement in the fair value reserve	34(d)	(728,907)	(729,004)
– net movement in the provision reserve	34(e)	637,217	2,904
Other comprehensive income net of tax		(392,933)	(725,813)
Total comprehensive income		839,008	4,712,248
Total comprehensive income attributable to:			
Equity shareholders of the Bank		810,844	4,717,411
Non-controlling interests		28,164	(5,163)
		839,008	4,712,248
Basic and diluted earnings per share (in RMB)	13	0.14	0.90

The notes on pages 148 to 282 form part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

(Expressed in thousands of RMB, unless otherwise stated)

	Note	31 December 2020	31 December 2019
Assets			
Cash and deposits with Central Bank	14	78,505,916	90,533,151
Deposits with banks and other financial institutions	15	15,194,344	21,104,213
Placements with banks and other financial institutions	16	4,350,087	8,198,954
Derivative financial assets	17	1,104,872	3,379,675
Financial assets held under resale agreements	18	22,119,345	18,713,438
Loans and advances to customers	19	534,687,227	446,375,521
Financial investments:			
Financial assets at fair value through profit or loss	20(a)	100,939,472	156,691,876
Financial assets at fair value through other comprehensive income	20(b)	27,878,398	33,451,350
Financial assets measured at amortised cost	20(c)	229,227,082	227,348,966
Property and equipment	22	5,699,770	5,702,278
Deferred tax assets	23	5,523,279	4,129,576
Other assets	24	12,728,583	5,851,798
Total assets		1,037,958,375	1,021,480,796
Liabilities			
Borrowings from Central Bank	25	2,815,363	6,793,977
Deposits from banks and other financial institutions	26	90,792,706	96,837,332
Placements from banks and other financial institutions	27	4,984,505	6,589,301
Financial liabilities at fair value through profit or loss		20,959,959	26,520,878
Derivative financial liabilities	17	768,469	694,473
Financial assets sold under repurchase agreements	28	89,672,253	60,117,133
Deposits from customers	29	697,363,902	655,070,994
Income tax payable		1,261,425	1,605,476
Debt securities issued	30	45,262,637	80,993,054
Other liabilities	31	4,030,607	7,136,193
Total liabilities		957,911,826	942,358,811

The notes on pages 148 to 282 form part of these financial statements.



	Note	31 December 2020	31 December 2019
Equity			
Share capital	33	8,796,680	8,796,680
Capital reserve	34(a)	26,931,360	26,931,360
Surplus reserve	34(b)	7,283,589	7,166,927
General reserve	34(c)	13,676,444	13,398,535
Fair value reserve	34(d)	(633,509)	399,979
Provision reserve	34(e)	645,432	8,215
Deficit on remeasurement of net defined benefit liability	34(f)	(16,648)	(19,986)
Retained earnings	34(g)	22,768,584	21,873,822
Total equity attributable to equity shareholders of the Bank		79,451,932	78,555,532
Non-controlling interests		594,617	566,453
Total equity		80,046,549	79,121,985
Total liabilities and equity		1,037,958,375	1,021,480,796

Approved and authorised for issue by the board of directors on 30 March 2021.

Qiu Huofa

Chairman of Board of Directors

Shen Guoyong

President

Bao Hong

Chief Financial Officer

Company chop

The notes on pages 148 to 282 form part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

(Expressed in thousands of RMB, unless otherwise stated)

		Attributable to equity shareholders of the Bank										
							Deficit on remeasurement of net defined benefit liability				Non- controlling interests	Total equity
	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Retained earnings	Total			
Balance at 1 January 2020		8,796,680	26,931,360	7,166,927	13,398,535	399,979	8,215	(19,986)	21,873,822	78,555,532	566,453	79,121,985
Profit for the year		-	-	-	-	-	-	1,203,777	1,203,777	28,164	1,231,941	
Other comprehensive income		-	-	-	-	(1,033,488)	637,217	3,338	-	(392,933)	-	(392,933)
Total comprehensive income		-	-	-	-	(1,033,488)	637,217	3,338	1,203,777	810,844	28,164	839,008
Appropriation of profit:												
- Appropriation to surplus reserve	35	-	-	116,662	-	-	-	-	(116,662)	-	-	-
- Appropriation to general reserve (Note (i))	35	-	-	-	277,909	-	-	-	(277,909)	-	-	-
Subtotal		-	-	116,662	277,909	-	-	-	(394,571)	-	-	-
Disposal of equity investment at fair value through other comprehensive income		-	-	-	-	-	-	-	85,556	85,556	-	85,556
Balance at 31 December 2020		8,796,680	26,931,360	7,283,589	13,676,444	(633,509)	645,432	(16,648)	22,768,584	79,451,932	594,617	80,046,549

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB128 thousand.

Attributable to equity shareholders of the Bank

The notes on pages 148 to 282 form part of these financial statements.



	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January												
2019		5,796,680	11,855,505	6,110,162	12,571,882	1,122,587	5,311	(13,877)	19,009,618	56,457,868	571,616	57,029,484
Profit for the year		-	-	-	-	-	-	-	5,443,224	5,443,224	(5,163)	5,438,061
Other comprehensive income		-	-	-	-	(722,608)	2,904	(6,109)	-	(725,813)	-	(725,813)
Total comprehensive income		-	-	-	-	(722,608)	2,904	(6,109)	5,443,224	4,717,411	(5,163)	4,712,248
Changes in share capital												
- Placement of domestic shares	33	2,200,000	10,986,653	-	-	-	-	-	-	13,186,653	-	13,186,653
- Placement of H-shares	33	800,000	4,089,202	-	-	-	-	-	-	4,889,202	-	4,889,202
Subtotal		3,000,000	15,075,855	-	-	-	-	-	-	18,075,855	-	18,075,855
Appropriation of profit:												
- Appropriation to surplus reserve	35	-	-	1,056,765	-	-	-	-	(1,056,765)	-	-	-
- Appropriation to general reserve (Note (i))	35	-	-	-	826,653	-	-	-	(826,653)	-	-	-
- Cash dividends	35	-	-	-	-	-	-	-	(695,602)	(695,602)	-	(695,602)
Subtotal		-	-	1,056,765	826,653	-	-	-	(2,579,020)	(695,602)	-	(695,602)
Balance at 31 December 2019												
		8,796,680	26,931,360	7,166,927	13,398,535	399,979	8,215	(19,986)	21,873,822	78,555,532	566,453	79,121,985

Note:

- (i) The appropriation to general reserve included the appropriation made by subsidiaries with a total amount of RMB1,103 thousand.

The notes on pages 148 to 282 form part of these financial statements.



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

(Expressed in thousands of RMB, unless otherwise stated)

	Note	2020	2019
Cash flows from operating activities			
Profit before tax		591,364	6,142,702
<i>Adjustments for:</i>			
Impairment losses on assets		10,625,363	10,233,200
Depreciation and amortisation		612,756	593,698
Interest expense on leased assets		25,327	28,748
Unrealised foreign exchange (gains)/losses		(345,693)	4,072
Net gains on disposal of long-term assets		(137,030)	(1,067)
Dividend income		(1,440)	(1,200)
Net trading losses/(gains) of financial assets at fair value through profit or loss		2,340,033	(1,228,395)
Net gains arising from investments		(1,392,139)	(4,169,712)
Interest expense on debt securities issued		2,840,974	5,353,271
Interest income on financial investments		(11,955,537)	(17,234,015)
		<u>3,203,978</u>	<u>(278,698)</u>
<i>Changes in operating assets</i>			
Net (increase)/decrease in deposits with Central Bank		(7,041,007)	4,058,610
Net (increase)/decrease in deposits and placements with bank and other financial institutions		(1,892,549)	21,701,224
Net increase in loans and advances to customers		(90,047,529)	(80,620,061)
Net decrease/(increase) in financial assets held under resale agreements		683,991	(683,991)
Net increase in other operating assets		(13,213,318)	(10,688,843)
		<u>(111,510,412)</u>	<u>(66,233,061)</u>
<i>Changes in operating liabilities</i>			
Net decrease in borrowings from Central Bank		(3,931,757)	(34,960,000)
Net decrease in deposits and placements from banks and other financial institutions		(7,616,819)	(20,315,744)
Net increase in financial assets sold under repurchase agreements		29,567,592	27,771,077
Net increase in deposits from customers		39,976,556	127,261,194
Income tax paid		(966,200)	(898,104)
Net increase in other operating liabilities		383,676	5,437,303
		<u>57,413,048</u>	<u>104,295,726</u>
Net cash flows (used in)/generated from operating activities		<u>(50,893,386)</u>	<u>37,783,967</u>

The notes on pages 148 to 282 form part of these financial statements.



	Note	2020	2019
Cash flows from investing activities			
Proceeds from disposal and redemption of investments		689,907,626	1,336,836,742
Proceeds from disposal of property and equipment and other assets		291,482	1,702
Payments on acquisition of investments		(625,327,672)	(1,246,863,653)
Payments on acquisition of property and equipment, intangible assets and other assets		(631,006)	(950,472)
Net cash flows generated from investing activities		64,240,430	89,024,319
Cash flows from financing activities			
Proceeds from capital injection		–	18,075,855
Net proceeds from new debt securities issued	36(b)	135,328,820	243,939,710
Repayment of debt securities issued	36(b)	(171,035,029)	(349,361,306)
Interest paid on debt securities issued	36(b)	(2,865,182)	(5,505,846)
Dividends paid		(233,366)	(499,258)
Payment of lease liabilities		(189,148)	(264,787)
Net cash flows used in financing activities		(38,993,905)	(93,615,632)
Effect of foreign exchange rate changes on cash and cash equivalents		(465,358)	32,905
Net (decrease)/increase in cash and cash equivalents		(26,112,219)	33,225,559
Cash and cash equivalents as at 1 January		75,319,708	42,094,149
Cash and cash equivalents as at 31 December	36(a)	49,207,489	75,319,708
Net cash flows generated from operating activities include:			
Interest received		26,294,563	29,989,017
Interest paid (excluding interest expense on debt securities issued)		(22,995,313)	(20,883,961)

The notes on pages 148 to 282 form part of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

1 BACKGROUND INFORMATION

Shengjing Bank Co., Ltd. (the “Bank”), which was formerly known as Shenyang City Cooperative Bank Co., Ltd., is a joint-stock commercial bank established on 10 September 1997 with the approval of the People’s Bank of China (the “PBOC”) of the PRC according to the notices YinFu [1996] No. 362 “Approval upon the Preparing of Shenyang City Cooperative Bank” and YinFu [1997] No.149 “Approval upon the Opening of Shenyang City Cooperative Bank”.

The Bank changed its name from Shenyang City Cooperative Bank Co., Ltd. to Shenyang Commercial Bank Co., Ltd. according to LiaoyinFuZi [1998] No. 78 issued by Liaoning Branch of the PBOC on 2 June 1998 and ShenYinFu [1998] No.103 issued by Shenyang Branch of the PBOC on 29 June 1998. The Bank changed its name from Shenyang Commercial Bank Co., Ltd. to Shengjing Bank Co., Ltd. according to YinJianFu [2007] No. 68 issued by the China Banking Regulatory Commission (the former “CBRC”) of the PRC on 13 February 2007.

The Bank obtained its financial institution licence No. B0264H221010001 from the former CBRC Liaoning Branch. The Bank obtained its business license No. 91210100117809938P from Shenyang Provincial Administration of Industry and Commerce. The registered office of the Bank is located at No. 109 Beizhan Road, Shenhe District, Shenyang, Liaoning Province, the PRC. In December 2014, the Bank’s H-shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (Stock code: 02066). As at 31 December 2020, the share capital of the Bank is RMB8,796.68 million.

The Bank has 18 branches in Shenyang, Beijing, Shanghai, Tianjin, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang and Tieling as at 31 December 2020. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the former CBRC. The Bank mainly operated in mainland China, which, for the purpose of this report, excludes the Hong Kong Special Administration Region of the PRC (“Hong Kong”), the Macau Special Administration Region of the PRC (“Macau”) and Taiwan.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance and basis of preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards (“IFRSs”), which collective term includes all applicable individual IFRSs, International Accounting Standards (“IASs”) and Interpretations issued by the International Accounting Standards Board (the “IASB”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Statement of compliance and basis of preparation (Continued)

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(b) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements for the year ended 31 December 2020 comprise the Bank and its subsidiaries.

Unless stated otherwise, the financial statements are presented in Renminbi (RMB), rounded to the nearest thousands, which is the functional currency of the Group.

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Judgments made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 45.

The measurement basis used in the preparation of the financial statements is the historical cost basis, with the exception of financial assets and financial liabilities, which are measured at fair value, as stated in Note 2(f).

(b) Changes in accounting policies

The Group has initially adopted Definition of a Business (Amendments to IFRS 3) from 1 January 2020. A number of other new standards are also effective from 1 January 2020 that do not have a material effect on the Group's financial statements.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

Amendments to IFRS 3, Business Combinations “Definition of a business”

The IASB has issued amendments to IFRS 3 that seek to clarify the definition of business. The amendments include an election to use a concentration test. If a preparer chooses not to apply the concentration test, or the test is failed, then the assessment focuses on the existence of a substantive process. The effect of these changes is that the new definition of a business is narrower, which could result in fewer business combinations being recognised. The amendments may require a complex assessment to decide whether a transaction is a business combination or an asset acquisition.

The adoption has no material impact on the financial position and the financial result of the Group.

Amendments to IAS 1, Presentation of Financial Statements, and IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, “Definition of Material”

The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved and the amendments ensure that the definition of material is consistent across all IFRS Standards.

The adoption has no material impact on the financial position and the financial result of the Group.

Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial instruments: Disclosures, “Interest Rate Benchmark Reform”

The IASB issued the amendments to IFRS 9, IAS 39 and IFRS 7, which aims to address uncertainties related to the ongoing reform of interbank offered rates (“IBOR”).

The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform. They are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

The adoption has no material impact on the financial position and the financial result of the Group.



2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in accounting policies (Continued)

Amendment to IFRS 16, Leases “Covid-19-Related Rent Concessions”

The IASB has issued the amendment to IFRS 16, the amendment allows lessees, as a voluntary practical expedient, not to account for rent concessions as lease modifications if they arise as a direct consequence of COVID-19 and meet the qualifying criteria. The amendment is effective for annual reporting periods beginning on or after 1 June 2020 with earlier application permitted.

The adoption has no material impact on the financial position and the financial result of the Group.

The Group does not adopt any issued but not yet effective international financial reporting standards, interpretations and amendments.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Bank, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Bank. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income between non-controlling interests and the equity shareholders of the Bank.

In the Bank's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (Note 2(n)), unless the investment is classified as held for sale.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to RMB at the spot exchange rates ruling at the date of receipt. Other foreign currency transactions are, on initial recognition, translated to RMB at the spot exchange rates or the rates that approximate the spot exchange rates ruling at the transaction dates.

A spot exchange rate is quoted by the PBOC, the State Administration of Foreign Exchange, or a cross rate determined based on quoted exchange rates. A rate that approximates the spot exchange rate is determined by a systematic and rational method, normally the average exchange rate of the current period.

Monetary assets and liabilities denominated in foreign currencies are translated to RMB at the spot exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated to RMB using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rates ruling at the dates the fair value is determined; the exchange differences are recognised in profit or loss, except for the exchange differences arising from the translation of non-monetary financial investments which are recognised in fair value reserve.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, non-restricted balances with Central Bank, short-term deposits and placements with banks and other financial institutions, and highly liquid short-term investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of change in value.



2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments

(i) *Recognition and initial measurement of financial assets and financial liabilities*

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any related directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any related directly attributable transaction costs are included in their initial costs.

(ii) *Classification and subsequent measurement of financial assets*

Classification of financial assets

The Group classifies financial assets into different categories upon initial recognition based on the business model for managing the financial assets and the contractual cash flow characteristics of financial assets:

- Financial assets measured at amortised cost, including loans and advances to customers and financial investments measured at amortised cost;
- Financial assets at fair value through other comprehensive income ("FVOCI"), including loans and advances to customers at FVOCI and financial investments at FVOCI; and
- Financial assets at fair value through profit or loss ("FVTPL").

Financial assets may not be reclassified after initial recognition unless the Group changes the business model for managing the financial assets, in which case, all affected financial assets are reclassified on the first day of the first reporting period after the business model changes.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Classification of financial assets (Continued)

Financial assets not designated as FVTPL that meet the following conditions are classified as financial assets measured at amortised cost:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

The Group classifies financial assets not designated as FVTPL that meet the following conditions as financial assets at FVOCI:

- The purpose of the Group's business model for managing the financial assets is to receive contractual cash flows and to sell the financial assets;
- The contractual terms of the financial assets stipulate that the cash flows generated on specific dates are only for payment of the principal and the interest based on the amount of principal outstanding.

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.



2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Classification of financial assets (Continued)

Except for the above-mentioned financial assets that are measured at amortised cost and at FVOCI, the Group classifies all other financial assets into financial assets at FVTPL. At the time of initial recognition, if the accounting mismatch can be eliminated or significantly reduced, the Group can irrevocably designate financial assets that should be measured at amortised cost or FVOCI as financial assets at FVTPL.

The business model for managing financial assets refers to how the Group manages financial assets to generate cash flows. The business model determines whether the sources of cash flows for financial assets managed by the Group is contractual cash flows, the sale of financial assets or both. The Group determines the business model for managing financial assets based on objective facts and specific business objectives for the management of financial assets as determined by key management personnel.

The Group assesses the contractual cash flow characteristics of financial assets to determine whether the contractual cash flows generated by the relevant financial assets on specific dates are solely for payment of the principal and the interest based on the amount of principal outstanding. Of which, the principal is the fair value of the financial assets at initial recognition; the interest includes the time value of money, the credit risk associated with the outstanding principal amount for a specific period, and the consideration of other basic borrowing risks, costs and profits. In addition, the Group assesses the contractual terms that may result in a change in the time distribution or amount of contractual cash flows generated by the financial assets to determine whether they meet the requirements of the above contractual cash flow characteristics.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(ii) *Classification and subsequent measurement of financial assets (Continued)*

Subsequent measurement of financial assets

– Financial assets at FVTPL

Subsequent to initial recognition, the financial assets are measured at fair value, and the resulting gains or losses (including interest and dividend income) are included in profit or loss, unless the financial asset is part of a hedging relationship.

– Financial assets measured at amortised cost

Subsequent to initial recognition, the financial assets are measured at amortised cost using the effective interest method. Gains or losses arising from financial assets that are measured at amortised cost and are not a component of any hedges are recognised in profit or loss at the time of derecognition and amortisation using the effective interest method or recognition of impairment.

– Financial assets at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Interest calculated using the effective interest method, impairment losses or gains and exchange gains or losses are recognised in profit or loss, and other gains or losses are included in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously recognised in other comprehensive income are transferred to profit or loss.

– Equity investments at FVOCI

Subsequent to initial recognition, the financial assets are measured at fair value. Dividend income is recognised in profit or loss; other gains or losses are recognised in other comprehensive income. At the time of derecognition, the cumulative gains or losses previously included in other comprehensive income are transferred to retained earnings.



2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(iii) *Classification and subsequent measurement of financial liabilities*

The Group classifies financial liabilities into financial liabilities at FVTPL, financial guarantee contract liabilities, and financial liabilities carried at amortised cost.

- Financial liabilities at FVTPL

The financial liabilities includes trading financial liabilities and financial liabilities designated at FVTPL.

Subsequent to initial recognition, the financial liabilities are measured at fair value. Any resulting gains or losses (including interest expenses), unless related to hedge accounting, are recognised in profit or loss.

- Financial guarantee contract liabilities

Financial guarantee contracts refer to contracts that require the Group to make specified payments to reimburse the contract holder for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the original or revised terms of a debt instrument.

The financial guarantee contract liabilities is subsequently measured at the higher of the amount of a provision determined in accordance with the principles for impairment of financial instruments and the amount initially recognised less accumulated amortisation.

- Financial liabilities measured at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(iv) *Derivative financial instruments*

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Certain derivatives embedded in financial instruments are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the hybrid instrument is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value through profit or loss.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognised directly in profit or loss.

For less complex derivative products, the fair values are principally determined by valuation models which are commonly used by market participants. Inputs to valuation models are determined from observable market data wherever possible, including foreign exchange spot and forward rates and interest rate yield curves. For more complex derivative products, the fair values are mainly determined by quoted prices from dealers.

(v) *Impairment*

The Group recognises provision for expected credit loss on:

- Financial assets measured at amortised cost;
- Debt instruments at FVOCI; and
- Credit commitments.

Other financial assets measured at fair value, including financial assets at FVTPL, equity investments designated at FVOCI and derivative financial assets, are not subject to the expected credit loss assessment.



2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(v) *Impairment (Continued)*

Measurement of ECLs

Expected credit loss is a weighted average of credit losses on financial instruments weighted at the risk of default. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Group is exposed to credit risk.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the balance sheet date (or a shorter period if the expected life of the instrument is less than 12 months).

ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the balance sheet date.

The Group's measurement of expected credit losses is described in Note 39(a).

Presentation of provision for ECLs

ECLs are remeasured at each balance sheet date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. For financial assets measured at amortised cost, provision is offset against their carrying amounts in the balance sheet. The Group recognises provision for debt instruments at FVOCI in other comprehensive income and does not deduct the carrying amount of the financial assets.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(v) *Impairment (Continued)*

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. A write-off constitutes a derecognition event. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(vi) *Derecognition of financial assets and financial liabilities*

Financial assets are derecognised when the following conditions are met:

- The Group's contractual rights to the cash flows from the financial asset expire;
- The financial asset has been transferred and the Group transfers substantially all of the risks and rewards of ownership of the financial asset;
- The financial asset has been transferred, although the Group neither transfers nor retains substantially all of the risks and rewards of ownership of the financial asset, it does not retain control over the transferred asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised in profit or loss:

- The carrying amount of the financial asset transferred measured at the date of derecognition;
- The sum of the consideration received from the transfer and, when the transferred financial asset is a debt investment at FVOCI, any cumulative gain or loss that has been recognised directly in other comprehensive income for the part derecognised.

The Group derecognises a financial liability (or part of it) only when its contractual obligation (or part of it) is discharged.



2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial instruments (Continued)

(vii) *Offsetting*

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, a financial asset and a financial liability are offset and the net amount is presented in the balance sheet when both of the following conditions are satisfied:

- The Group currently has a legally enforceable right to set off the recognised amounts;
- The Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(g) Financial assets held under resale and repurchase agreements

Financial assets purchased under agreements to resell are reported not as purchases of the assets but as receivables and are carried in the statements of financial position at amortised cost.

Financial assets sold subject to a simultaneous agreement to repurchase these assets are retained in the statements of financial position and measured in accordance with their original measurement principles. The proceeds from the sale are reported as liabilities and are carried at amortised cost.

Interest earned on resale agreements and interest incurred on repurchase agreements are recognised respectively as interest income and interest expense over the life of each agreement using the effective interest method.

(h) Fair value measurement

Unless otherwise stated, the Group measure the fair value based on below principles:

Fair value represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When measuring fair value, the Group takes into account the characteristics of the particular asset or liability (including the condition and location of the asset and restrictions, if any, on the sale or use of the asset) that market participants would consider when pricing the asset or liability at the measurement date. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data and other information are available to measure fair value. Three valuation techniques mainly include the market approach, the income approach and the cost approach.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Associates

An associate is an entity in which the Group or Bank has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements of the Group under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (Note 2(n)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in other comprehensive income of the Group. The Group's interest in associate is included in the consolidated financial statements from the date that significant influence commences until the date that significant influence ends.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (Note 2(f)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Property and equipment

Property and equipment are assets held by the Group for operation and administration purposes with useful lives over one year.

Property and equipment are stated in the statements of financial position at cost less accumulated depreciation and impairment loss (Note 2(n)). Construction in progress ("CIP") is stated in the statements of financial position at cost less impairment loss (Note 2(n)).

The cost of a purchased property and equipment asset comprises the purchase price, related taxes, and any expenditure directly attributable to bringing the asset into working condition for its intended use.

All direct and indirect costs that are related to the construction of property and equipment and incurred before the assets are ready for their intended use are capitalised as the cost of construction in progress. No depreciation is provided against construction in progress.

Where the individual component parts of an item of property and equipment have different useful lives or provide benefits to the Group in different patterns, each part is depreciated separately.

The subsequent costs including the cost of replacing part of an item of property and equipment are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Property and equipment are depreciated using the straight-line method over their estimated useful lives, after taking into account their estimated residual values. The estimated useful lives, residual values and depreciation rates of each class of property and equipment are as follows:

	Estimated useful lives	Estimated net residual value	Depreciation rate
Premises	20 – 30 years	3%	4.85% – 3.23%
Office equipment	5 years	3%	19.40%
Leasehold improvement	5 – 10 years	0%	20.00% – 10.00%
Others	3 – 5 years	3%	32.33% – 19.40%



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IFRS 16 is applied to contracts entered into, or changed, on or after January 1, 2019.

(i) *Group acting as a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.



2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Lease (Continued)

(i) *Group acting as a lessee (Continued)*

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

From 1 January 2020, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Group presents right-of-use assets in 'other assets' and lease liabilities in 'other liabilities' in the statement of financial position.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Lease (Continued)

(i) *Group acting as a lessee (Continued)*

Interest rate benchmark reform (policy applied from 1 January 2020)

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. After that, the Group applies the policies on accounting for modifications set out above to the additional changes.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.



2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Lease (Continued)

(ii) *As a lessor*

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(l) Intangible assets

The intangible assets of the Group have finite useful lives. The intangible assets are stated at cost less accumulated amortisation and impairment losses (Note 2(n)). The cost of intangible assets less residual value and impairment losses is amortised on a straight-line basis over the estimated useful lives.

The respective amortisation periods for intangible assets are as follows:

Computer software

5 – 10 years

(m) Repossessed assets

Repossessed assets are initially recognised at fair value, and are subsequently measured at the lower of the carrying value and net recoverable amount. If the recoverable amount is lower than the carrying value of the repossessed assets, the assets are written down to the recoverable amount.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provision for impairment losses on non-financial assets

The carrying amounts of the following assets are reviewed at the end of the reporting period based on the internal and external sources of information to determine whether there is any indication of impairment:

- property and equipment
- intangible assets
- investments in subsidiaries and associates
- right-of-use assets

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated.

A Cash-Generating Unit (the “CGU”) is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. A CGU is composed of assets directly relating to cash-generation. Identification of a CGU is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group’s operations and how management makes decisions about continuing or disposing of the Group’s assets.

The recoverable amount of an asset or CGU, or a group of CGUs (hereinafter called “asset”) is the greater of its fair value less costs of disposal and value in use. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset; if it is not possible to estimate the recoverable amount of the individual asset, the Group determines the recoverable amount of the asset group to which the assets belongs.

An asset’s fair value less costs of disposal is the amount determined by the price of a sale agreement in an arm’s length transaction, less the costs that are directly attributable to the disposal of the asset. The value in use of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.



2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Provision for impairment losses on non-financial assets (Continued)

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount. A provision for an impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups are allocated first to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups and then, to reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs of disposal (if measurable), value in use (if measurable) and zero.

An impairment loss in respect of goodwill is not reversed. If, in a subsequent period, the amount of impairment loss of the non-financial asset except for goodwill decreases and the decrease can be linked objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods.

(o) Employee benefits

(i) *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The defined contribution retirement plans of the Group include the social pension schemes, unemployment insurance and an annuity plan.

Social pension schemes

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and security authorities. The Group makes contributions to the retirement schemes at the applicable rates based on the amounts stipulated by the government. The contributions are charged to profit or loss on an accrual basis. When employees retire, the local government labor and security authorities are responsible for the payment of the basic retirement benefits to the retired employees.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Employee benefits (Continued)

(i) **Short term employee benefits and contributions to defined contribution retirement plans (Continued)**

Annuity plan

The Group provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to its employees' total salaries and bonuses, which are charged to profit or loss when the contributions are made.

Housing fund and other social insurances

The Group has joined social security contributions schemes for employees pursuant to the relevant laws and regulations of the PRC. These schemes include a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes monthly contributions to the housing fund and other social insurances schemes at the applicable rates based on the amounts stipulated by the relevant government authorities. The contributions are charged to profit or loss on an accrual basis.

(ii) **Supplementary retirement benefits**

Early retirement plan

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire early for the period from the date of early retirement to the regulated retirement date. The benefit is discounted to determine the present value based on certain assumptions. The calculation is performed by a qualified actuary using the projected unit credit method. Differences arising from changes in assumptions and estimates of the present value of the liabilities are recognised in profit or loss when incurred.

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees. The Group's obligations in respect of the supplementary retirement plan are calculated by estimating the present value of the total amount of future benefits that the Group is committed to pay to the employees after their retirement. The calculation is performed by a qualified actuary using the projected unit credit method. Such obligations were discounted at the interest yield of government bonds with similar duration at the reporting date. The related service cost and net interest from the retirement plan are recognised in profit or loss, and the actuarial gains and losses arising from remeasurements are recognised in other comprehensive income.

Early retirement plan and supplementary retirement plan thereafter collectively referred to as "supplementary retirement benefits".

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items that are recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable calculated at the applicable tax rate on the taxable income for the period, and any adjustment to tax payable in respect of previous years.

At the end of the reporting period, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carried forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be used.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the end of the reporting period, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (Continued)

At the end of the reporting period, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities, simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial Guarantees

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

The Group used the expected credit loss model to measure losses incurred because a specified debtor fails to make payment when due, and included them in provisions. Refer to Note 2(f) (v) for details of the expected credit loss model.

(ii) Other provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors pertaining to a contingency such as the risks, uncertainties and time value of money are taken into account as a whole in reaching the best estimate. Where the effect of time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Fiduciary activities

The Group acts in fiduciary activities as a manager, a custodian, or an agent for customers. Assets held by the Group and the related undertakings to return such assets to customers are recorded as off-balance sheet items as the risks and rewards of the assets reside with customers.

The Group enters into entrusted loan agreements with customers, whereby the customers provide funding (the “entrusted funds”) to the Group, and the Group grants loans to third parties (the “entrusted loans”) under instructions of the customers. As the Group does not assume the risks and rewards of the entrusted loans and the corresponding entrusted funds, the entrusted loans and funds are recorded as off-balance sheet items at their principal amount. No provision for impairment loss is made for entrusted loans.

(s) Income recognition

Revenue is the gross inflow of economic benefits arising in the course of the Group’s ordinary activities when the inflows result in increase in shareholders’ equity, other than increase relating to contributions from shareholders.

For performance obligations being satisfied, revenue is recognised by the Group when the customer obtains control of the relevant goods or services.

When one of the following conditions are met, the Group perform its performance obligations over time, and otherwise, at a point in time:

- The customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- The Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- The Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

For performance obligations performed over time, the Group recognises revenue over time according to the performance progress. When the performance progress cannot be determined, The Group is expected to be reimbursed for the costs already incurred and recognise the revenue based on the costs already incurred until the performance progress can be reasonably determined.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income recognition (Continued)

For performance obligations performed at a point in time, the Group recognises revenue at the point when the customer obtains control of the promised good or service. When judging whether the customer obtains control of the promised good or service, the Group should consider the following indications:

- The Group has a present right to payment for the good or service;
- The Group has transferred physical possession of the good to the customer;
- The Group has transferred legal title or the significant risks and rewards of ownership of the good to the customer;
- The customer has accepted the good or service.

The specific accounting policies related to the revenue of Group's principal activities are described below:

(i) Interest income

Interest income for financial assets is recognised in profit or loss as it is incurred, based on the time for alienation of right to use capital and effective interest rates. Interest income includes the amortisation of any discount or premium or differences between the initial carrying amount of an interest-bearing asset and its amount at maturity calculated using the effective interest rate.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the reporting period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract, transaction costs and all other premiums or discounts that are an integral part of the effective interest rate.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Income recognition (Continued)

(ii) *Fee and commission income*

The Group earns fee and commission income from a diverse range of services it provides to its customers. The fee and commission income recognised by the Group reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring promised services to customers, and income is recognised when its performance obligation in contracts is satisfied.

The Group recognises income over time by measuring the progress towards the complete satisfaction of a performance obligation, if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The customer controls the service provided by the Group in the course of performance or;
- The Group does not provide service with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date;
- In other cases, the Group recognises revenue at a point in time at which a customer obtains control of the promised services.

(iii) *Other income*

Other income is recognised on an accrual basis.

(iv) *Government grants*

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions associated with the grant. Government grants related to an asset are initially recognised as deferred income at fair value and then recognised in profit or loss as other income on a straight-line basis over the useful life of the asset. Government grants that compensate the Group for expenses incurred are recognised in profit or loss in the periods in which the expenses are recognised.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Expenses recognition

(i) *Interest expenses*

Interest expenses from financial liabilities are accrued on a time proportion basis with reference to the amortised cost and the applicable effective interest rate.

(ii) *Other expenses*

Other expenses are recognised on an accrual basis.

(u) Dividends

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the end of the reporting period are not recognised as a liability at the end of the reporting period but disclosed separately in the notes to the financial statements.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the group if that person:

- (i) has control or joint control over the group;
- (ii) has significant influence over the group; or
- (iii) is a member of the key management personnel of the group or the group's parent.



2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties (Continued)

- (b) An entity is related to the group if any of the following conditions applies:
- (i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system, whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and assess its performance. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of services, the type or class of customers, the methods used to provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated as "others" segment if they share a majority of these criteria.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

3 NET INTEREST INCOME

	2020	2019
Interest income arising from		
Deposits with Central Bank	1,061,137	1,083,993
Deposits and placements with banks and other financial institutions	83,130	553,221
Loans and advances to customers		
– Corporate loans and advances	23,400,603	22,769,858
– Personal loans and advances	4,318,799	2,583,519
– Discounted bills	1,550,307	593,668
Financial assets held under resale agreements	164,446	125,746
Financial investments	11,955,537	17,234,015
	<hr/>	<hr/>
Subtotal	42,533,959	44,944,020
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
Interest expense arising from		
Borrowings from Central Bank	(180,385)	(399,492)
Deposits and placements from banks and other financial institutions	(3,666,431)	(4,654,837)
Deposits from customers	(18,880,432)	(16,598,442)
Financial assets sold under repurchase agreements	(2,407,376)	(1,588,126)
Debt securities issued	(2,840,974)	(5,353,271)
	<hr/>	<hr/>
Subtotal	(27,975,598)	(28,594,168)
	<hr style="border-top: 1px dashed;"/>	<hr style="border-top: 1px dashed;"/>
Net interest income	<hr style="border-top: 1px dashed; border-bottom: 3px double;"/>	<hr style="border-top: 1px dashed; border-bottom: 3px double;"/>
	14,558,361	16,349,852

Notes:

- (a) Interest expense on financial liabilities with maturity over five years mainly included the interest expense on deposits from customers and debt securities issued.



4 NET FEE AND COMMISSION INCOME

	2020	2019
Fee and commission income		
Agency and custody services fees	1,342,412	1,029,332
Settlement and clearing services fees	78,955	288,685
Bank card services fees	152,851	107,267
	<hr/>	<hr/>
Subtotal	1,574,218	1,425,284
Fee and commission expense	(885,340)	(269,848)
	<hr/>	<hr/>
Net fee and commission income	688,878	1,155,436
	<hr/> <hr/>	<hr/> <hr/>

5 NET TRADING

	2020	2019
Net losses from debt securities	(8,145)	17,945
Net foreign exchange gains / (losses)	2,400,859	1,606,816
Net losses/(gains) from derivatives and others	(3,125,636)	785,955
	<hr/>	<hr/>
Total	732,922	(838,806)
	<hr/> <hr/>	<hr/> <hr/>

6 NET GAINS ARISING FROM INVESTMENTS

	2020	2019
Net gains on financial assets at fair value through profit or loss	1,471,685	2,481,332
Net gains on disposal of financial assets measured at amortised cost	73,825	728,518
Net gains on disposal of financial assets at fair value through other comprehensive income	45,247	1,103,026
Dividends from designated as financial assets at fair value through other comprehensive income	1,440	1,200
	<hr/>	<hr/>
Total	1,592,197	4,314,076
	<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***7 OTHER OPERATING INCOME**

	2020	2019
Net gains on disposal of property and equipment	137,030	1,067
Government grants	10,526	10,030
Rental income	9,664	11,259
Handling charge income	441	1,002
Others	2,638	3,351
Total	160,299	26,709

8 OPERATING EXPENSES

	2020	2019
Staff costs		
– Salaries, bonuses and allowances	2,327,877	1,806,094
– Pension and annuity	36,937	230,456
– Other social insurance	192,900	179,759
– Housing allowances	127,978	103,194
– Supplementary retirement benefits	6,344	13,440
– Others	140,304	128,514
Subtotal	2,832,340	2,461,457
Depreciation and amortisation	439,518	426,260
Office expenses	356,101	329,098
Tax and surcharges	209,870	155,402
Depreciation of the right-of-use assets	173,238	167,438
Rental and property management expenses	113,692	115,723
Interest expense of the lease liability	25,327	28,748
Other general and administrative expenses (Note(a))	900,000	947,239
Total	5,050,086	4,631,365

Note:

- (a) Auditor's remunerations were RMB6.50 million for the year ended 31 December 2020 (2019: RMB6.50 million).



9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

2020							
Name	Fees	Salaries	Discretionary bonuses	Contributions to social pension schemes	Total emoluments before tax	Deferred payment	Actual amount of remuneration paid (pre-tax)
Executive directors							
Qiu Huofa (Note (a))		2,229	1,238	47	3,514	380	3,134
Shen Guoyong (Note (b))		1,633	2,032	116	3,781	133	3,648
Zhang Jun (Note (b))		1,481	1,699	116	3,296	302	2,994
Shi Yang (Note (b))		1,167	3,534	97	4,798	628	4,170
Li Ying (Note (b))		1,111	1,949	105	3,165	346	2,819
Zhang Qiang (Note (c))		186	689	13	888	45	843
Wang Yigong (Note (b))		1,482	1,764	97	3,343	314	3,029
Wu Gang (Note (b))		1,002	1,655	96	2,753	197	2,556
Non-executive directors							
Su Qingxiang (Note (b))	5	–	–	–	5	–	5
Liang Zhifang (Note (b))	5	–	–	–	5	–	5
Zhu Jialin (Note (b))	5	–	–	–	5	–	5
Jiang Liming (Note (b))	5	–	–	–	5	–	5
Ji Kun (Note (b))	5	–	–	–	5	–	5
Zhang Qiyang (Note (b))	35	–	–	–	35	–	35
Li Jianwei (Note (b))	35	–	–	–	35	–	35
Zhao Weiqing (Note (b))	20	–	–	–	20	–	20
Liu Yanxue (Note (b))	35	–	100	–	135	–	135
YUEN Wing Shing (Note (b))	35	–	–	–	35	–	35
Independent non-executive directors							
Ni Guoju		216	35	–	251	–	251
KEUNG Chak		216	35	–	251	–	251
KEUNG Chak		216	25	–	241	–	241
TAI Kwok Leung		216	35	–	251	–	251
Xing Tiancai		216	35	–	251	–	251
Li Jinyi							
Supervisors							
Yu Xiaolong (Note (d))		909	2,297	44	3,250	232	3,018
Niu Jiao (Note (d))		595	2,566	76	3,237	259	2,978
Xu Li (Note (d))		342	831	22	1,195	84	1,111
Yang Liya (Note (d))		1,145	1,947	116	3,208	214	2,994
Wang Lijun (Note (d))		268	571	44	883	86	797
Han Li (Note (b))		804	85	97	986	9	977
Pan Wenge	30	–	–	–	30	–	30
Liu Huidi (Note (b))	25	–	–	–	25	–	25
Yu Haobo (Note (b))	15	–	–	–	15	–	15
Ba Junyu		216	30	–	246	–	246
Sun Hang		216	30	–	246	–	246
Cheng Hua (Note (b))		36	5	–	41	–	41
Dai Qiang (Note (b))		198	25	–	223	–	223
Total	255	16,100	23,212	1,086	40,653	3,229	37,424



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Name	Fees	Salaries	Discretionary bonuses	2019 Contributions to social pension schemes	Total emoluments before tax	Deferred payment	Actual amount of remuneration paid (pre-tax)
Executive directors							
Qiu Huofa (Note (a))		1,486	1,053	91	2,630	324	2,306
Zhang Qiyang (Note (b))		743	371	53	1,167	114	1,053
Zhang Qiang (Note (c))		2,192	1,593	159	3,944	104	3,840
Wang Yigong (Note (b))		1,482	2,047	153	3,682	364	3,318
Wu Gang (Note (b))		1,481	1,880	169	3,530	224	3,306
Non-executive directors							
Li Yuguo (Note (b))	22	-	-	-	22	-	22
Zhang Qiyang (Note (b))	28	-	-	-	28	-	28
Qiu Huofa (Note (a))	20	-	-	-	20	-	20
Li Jianwei (Note (b))	42	-	-	-	42	-	42
Zhao Weiqing (Note (b))	40	-	-	-	40	-	40
Liu Yanxue (Note (b))	34	425	218	145	822	65	757
YUEN Wing Shing (Note (b))	30	-	-	-	30	-	30
Independent non-executive directors							
Ni Guoju		216	41	-	257	-	257
KEUNG Chak		216	41	-	257	-	257
TAI Kwok Leung		216	41	-	257	-	257
Xing Tiancai		216	41	-	257	-	257
Li Jinyi		216	41	-	257	-	257
Supervisors							
Yang Liya (Note (d))		1,309	1,238	159	2,706	82	2,624
Wang Lijun (Note (d))		123	322	36	481	-	481
Shi Yang (Note (d))		1,067	2,648	153	3,868	268	3,600
Pan Wenge	38	-	-	-	38	-	38
Liu Huidi (Note (b))	28	-	-	-	28	-	28
Yu Haobo (Note (b))	33	-	-	-	33	-	33
Ba Junyu		216	98	-	314	-	314
Sun Hang		216	98	-	314	-	314
Dai Qiang (Note (b))		216	40	-	256	-	256
Total	315	12,036	11,811	1,118	25,280	1,545	23,735



9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (CONTINUED)

Notes:

- (a) At the Bank's meeting of the board of directors on 29 April 2019, Qiu Huofa was elected as executive director of the Bank, Zhang Qiyang was served as non-executive director of the Bank.
- (b) At the Bank's 2020 first Extraordinary Shareholders' Meeting on 20 October 2020, Shen Guoyong, Zhang Jun, Shi Yang and Li Ying was elected as executive directors of the Bank; Wang Yigong and Wu Gang are no longer executive directors of the bank; Su Qingxiang, Liang Zhifang, Zhu Jialin, Jiang Liming and Ji Kun were elected as non-executive directors of the Bank, Zhang Qiyang, Li Yuguo, Li Jianwei, Zhao Weiqing, Liu Yanxue and Yuan Yongcheng no longer served as non-executive directors of the Bank; Han Li, Yuan Yongcheng and Cheng Hua were elected as supervisors of the Bank. Liu Huidi, Yu Haobo and Dai Qiang no longer served as supervisors of the Bank.
- (c) At 17 January 2020, Zhang Qiang resigned as president of the bank.
- (d) At the Bank's Staff Congress on October 19, 2020. Yu Xiaolong, Niu Jiao and Xu Li were elected as staff supervisors. Yang Liya, Shi Yang and Wang Lijun no longer served as staff supervisors of the bank.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the year ended 31 December 2020, the five individuals with highest emoluments included 1 (2019: 1) director and 0 (2019: 1) supervisor of the Bank, whose emoluments are disclosed in Note 9. The emoluments for the 4 (2019: 3) non-director and non-supervisor highest paid individuals for the year ended 31 December 2020 are as follows:

	2020	2019
Salaries and other emoluments	2,711	2,191
Discretionary bonuses	20,997	12,200
Contributions to pension schemes	419	337
Total	24,127	14,728

The individuals whose emoluments before individual income tax are within the following bands are set out below:

	2020	2019
RMB4,500,001 – 5,000,000	-	3
RMB5,000,001 – 5,500,000	1	-
RMB6,000,001 – 6,500,000	3	-
Total	4	3

**NOTES TO THE FINANCIAL STATEMENTS***(Expressed in thousands of Renminbi, unless otherwise stated)***11 IMPAIRMENT LOSSES ON ASSETS**

	2020	2019
Loans and advances to customers	8,328,608	10,388,934
Financial investments	2,029,066	(376,485)
Deposits and placements with banks and other financial institutions	516,665	118,615
Financial assets held under resale agreements	(902)	3,439
Credit commitment	(239,829)	73,386
Others	(8,245)	25,311
Total	10,625,363	10,233,200

12 INCOME TAX EXPENSE**(a) Income tax for the year:**

	2020	2019
Current tax	622,149	2,439,722
Deferred tax	(1,262,726)	(1,735,081)
Total	(640,577)	704,641



12 INCOME TAX EXPENSE (CONTINUED)

(b) Reconciliations between income tax and accounting profit are as follows:

	Note	2020	2019
Profit before taxation		591,364	6,142,702
Statutory tax rate		25%	25%
Income tax calculated at statutory tax rate		147,841	1,535,676
Non-deductible expenses			
– Entertainment expenses		6,735	4,832
– Others		5,855	2,400
		12,590	7,232
Non-taxable income	12(b) (i)	(801,008)	(838,267)
Income tax		(640,577)	704,641

Note:

- (i) Non-taxable income consists of interest income from the PRC government bonds, public funds and dividends from domestic companies, which are exempted from income tax under the PRC tax regulations.



NOTES TO THE FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi, unless otherwise stated)

13 BASIC AND DILUTED EARNINGS PER SHARE

	2020	2019
Net profit attributable to equity shareholders of the Bank	1,203,777	5,443,224
Weighted average number of ordinary shares (in thousands)	8,796,680	6,076,132
Basic and diluted earnings per share attributable to equity shareholders of the Bank (in RMB)	0.14	0.90

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the year.

(a) Weighted average number of ordinary shares (in thousands)

	2020	2019
Number of ordinary shares as at 1 January	8,796,480	5,796,680
Increase in weighted average number of ordinary shares	—	279,452
Weighted average number of ordinary shares	8,796,680	6,076,132

14 CASH AND DEPOSITS WITH CENTRAL BANK

	Note	31 December 2020	31 December 2019
Cash on hand		1,152,427	877,084
Deposits with Central Bank			
– Statutory deposit reserves	14(a)	68,050,865	61,016,093
– Surplus deposit reserves	14(b)	9,074,637	28,421,050
– Foreign currency risk reserves	14(c)	—	80,749
– Fiscal deposits		193,151	106,167
Subtotal		77,318,653	89,624,059
Add: interest receivable		34,836	32,008
Total		78,505,916	90,533,151



14 CASH AND DEPOSITS WITH CENTRAL BANK (CONTINUED)

- (a) The Bank places statutory deposit reserves with the PBOC in accordance with relevant regulations. As at the end of the reporting period, the statutory deposit reserve ratios applicable to the Bank were as follows:

	31 December 2020	31 December 2019
Reserve ratio for RMB deposits	10.5%	11.0%
Reserve ratio for foreign currency deposits	5.0%	5.0%

The six rural banking subsidiaries of the Bank are required to place statutory RMB deposits reserve at rates determined by the PBOC.

The statutory deposit reserves are not available for the Group's daily business.

- (b) The surplus deposit reserves are maintained with the PBOC for the purpose of clearing.
- (c) The foreign currency risk reserves are maintained with the PBOC in accordance with the related notice issued by the PBOC on 31 August 2015. The reserves are payable on a monthly basis at 20% of the total contract amount of customers driven forward transactions in the previous month. Such foreign currency risk reserves are non-interest bearing and will be repayable in 12 months.

15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

(a) Analysed by type and location of counterparty

	31 December 2020	31 December 2019
Deposits in mainland China		
– Banks	11,302,838	16,882,175
– Other financial institutions	609,882	2,408
Deposits outside mainland China		
– Banks	3,742,600	4,314,257
Subtotal	15,655,320	21,198,840
Add: interest receivable	33,265	31,794
Less: provision for impairment losses	(494,241)	(126,421)
Total	15,194,344	21,104,213

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***15 DEPOSITS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)****(b) Movements of provision for impairment losses**

	2020	2019
As at 1 January	126,421	8,743
Net charge for the year	367,820	117,678
As at 31 December	494,241	126,421

16 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**(a) Analysed by type and location of counterparty**

	31 December 2020	31 December 2019
Placements in mainland China		
– Banks	3,000,000	6,000,000
– Other financial institutions	1,500,000	2,200,000
Subtotal	4,500,000	8,200,000
Add: interest receivable	629	651
Less: provision for impairment losses	(150,542)	(1,697)
Total	4,350,087	8,198,954

(b) Movements of provision for impairment losses

	2020	2019
As at 1 January	1,697	760
Net charge for the year	148,845	937
As at 31 December	150,542	1,697



17 DERIVATIVE FINANCIAL INSTRUMENTS

A derivative is a financial instrument, the value of which changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other similar variables. The Group uses derivative financial instruments mainly including forwards and swaps.

The notional amount of a derivative represents the amount of an underlying asset upon which the value of the derivative is based. It indicates the volume of business transacted by the Group but does not reflect the risk.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in any orderly transaction between market participants at measured date.

(a) Analysed by nature of contract

	31 December 2020		
	Notional amount	Fair value Assets	Liabilities
Currency options	144,648,830	134,111	(103,742)
Interest rate swaps	53,008,000	399,295	(360,527)
Precious metal derivatives	21,435,335	552,009	(65,056)
Currency swaps	6,279,113	14,143	(235,897)
Foreign exchange forwards	769,938	5,314	(3,247)
Total	226,141,216	1,104,872	(768,469)

	31 December 2019		
	Notional amount	Fair value Assets	Liabilities
Interest rate swaps	73,490,000	390,679	(350,316)
Currency options	61,400,792	1,155	(8,063)
Precious metal derivatives	27,327,424	2,869,316	(135,729)
Currency swaps	21,331,357	103,128	(188,640)
Foreign exchange forwards	788,286	15,397	(11,725)
Total	184,337,859	3,379,675	(694,473)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***17 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)****(b) Analysed by credit risk-weighted amount**

	31 December 2020	31 December 2019
Foreign exchange options	361,622	153,502
Precious metal derivatives	53,588	68,319
Currency swaps	15,698	53,328
Foreign exchange forwards	7,699	7,883
Total	438,607	283,032

The credit risk-weighted amount represents the counterparty credit risk associated with derivative transactions and is calculated with reference to the guidelines issued by the former CBRC.

18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS**(a) Analysed by type and location of counterparty**

	31 December 2020	31 December 2019
In mainland China		
– Banks	13,077,170	16,858,010
– Other financial institutions	9,044,260	1,852,491
Subtotal	22,121,430	18,710,501
Add: interest receivable	833	6,757
Less: provision for impairment losses	(2,918)	(3,820)
Total	22,119,345	18,713,438

(b) Analysed by type of security held

	31 December 2020	31 December 2019
Debt securities held under resale agreements	20,755,672	18,710,501
Bill held under resale agreements	1,365,758	–
Add: interest receivable	833	6,757
Less: provision for impairment losses	(2,918)	(3,820)
Total	22,119,345	18,713,438



18 FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (CONTINUED)

(c) Movements of provision for impairment losses

	2020	2019
As at 1 January	3,820	381
Net (release)/charge for the year	(902)	3,439
As at 31 December	2,918	3,820

19 LOANS AND ADVANCES TO CUSTOMERS

(a) Analysed by nature

	31 December 2020	31 December 2019
Measured at amortised cost:		
Corporate loans and advances	420,984,496	373,987,498
Personal loans and advances		
– Residential mortgage	48,276,811	36,041,189
– Personal consumption loans	20,672,637	17,297,007
– Credit cards	6,572,422	3,568,235
– Personal business loans	1,920,977	587,963
– Others	15,320	17,870
Subtotal	77,458,167	57,512,264
Gross loans and advances to customers measured at amortised cost	498,442,663	431,499,762
Measured at fair value through other comprehensive income:		
– Corporate loans and advances	10,216,470	213,674
– Discounted bills	38,403,424	25,488,939
Gross loans and advances to customers measured at fair value through other comprehensive income	48,619,894	25,702,613
Gross loans and advances to customers	547,062,557	457,202,375
Add: interest receivable	7,960,458	2,052,316
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(20,335,788)	(12,879,170)
Net loans and advances to customers	534,687,227	446,375,521



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(a) Analysed by nature (Continued)

As at 31 December 2020, the Group's provision amount for loans and advances to customers measured at fair value through other comprehensive income is RMB217.72 million (31 December 2019: RMB8.62 million), as detailed in Note 19(f).

(b) Analysed by economic sector

	31 December 2020		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	165,528,276	30%	81,021,718
Renting and business activities	84,023,237	15%	44,497,022
Real estate	70,050,003	13%	42,490,895
Manufacturing	35,479,768	7%	8,769,157
Construction	29,663,065	6%	17,099,550
Culture, sports and entertainment	12,595,154	2%	262,000
Transportation, storage and postal services	6,244,752	1%	306,717
Accommodation and catering	2,555,827	1%	1,749,357
Production and supply of electricity, heat, gas and water	2,401,189	1%	480,022
Household and other services	2,132,870	0%	337,470
Mining	1,975,967	0%	67,597
Agriculture, forestry, animal husbandry and fishery	865,359	0%	256,481
Others	17,685,499	3%	7,364,359
Subtotal of corporate loans and advances	431,200,966	79%	204,702,345
Personal loans and advances	77,458,167	14%	53,630,536
Discounted bills	38,403,424	7%	38,403,424
Gross loans and advances to customers	547,062,557	100%	296,736,305



19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(b) Analysed by economic sector (Continued)

	31 December 2019		Loans and advances secured by collaterals
	Amount	Percentage	
Wholesale and retail trade	174,938,570	38%	87,110,017
Renting and business activities	68,381,038	15%	44,202,032
Real estate	35,280,158	8%	30,499,262
Construction	27,611,545	6%	6,281,071
Manufacturing	26,512,208	6%	7,261,555
Culture, sports and entertainment	6,175,911	1%	204,000
Transportation, storage and postal services	4,114,725	1%	659,197
Production and supply of electricity, heat, gas and water	3,548,293	1%	879,727
Accommodation and catering	3,422,891	1%	3,215,561
Mining	2,488,580	0%	90,897
Household and other services	2,142,419	0%	441,619
Agriculture, forestry, animal husbandry and fishery	1,161,819	0%	276,521
Others	18,423,015	4%	9,775,731
Subtotal of corporate loans and advances	374,201,172	81%	190,897,190
Personal loans and advances	57,512,264	13%	39,990,283
Discounted bills	25,488,939	6%	25,488,939
Gross loans and advances to customers	457,202,375	100%	256,376,412



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(c) Analysed by type of collateral

	31 December 2020	31 December 2019
Unsecured loans	46,979,844	20,927,803
Guaranteed loans	203,346,408	179,898,160
Loans secured by tangible assets other than monetary assets	215,899,526	182,487,244
Loans secured by intangible assets or monetary assets	80,836,779	73,889,168
Gross loans and advances to customers	547,062,557	457,202,375
Add: interest receivable	7,960,458	2,052,316
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(20,335,788)	(12,879,170)
Net loans and advances to customers	534,687,227	446,375,521

(d) Overdue loans analysed by overdue period

	31 December 2020				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	791,082	229,332	97,649	17,343	1,135,406
Guaranteed loans	9,517,015	2,885,594	4,895,024	1,880,262	19,177,895
Loans secured by tangible assets other than monetary assets	404,207	2,323,781	1,821,996	1,109,569	5,659,553
Loans secured by intangible assets or monetary assets	3,501	562,840	246,168	70,000	882,509
Total	10,715,805	6,001,547	7,060,837	3,077,174	26,855,363
As a percentage of gross loans and advances to customers	1.96%	1.10%	1.29%	0.56%	4.91%



19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(d) Overdue loans analysed by overdue period (Continued)

	31 December 2019				
	Overdue within three months (inclusive)	Overdue more than three months to one year (inclusive)	Overdue more than one year to three years (inclusive)	Overdue more than three years	Total
Unsecured loans	491,238	63,456	28,481	11,727	594,902
Guaranteed loans	4,051,982	6,783,008	3,692,915	1,132,519	15,660,424
Loans secured by tangible assets other than monetary assets	1,269,402	2,974,279	2,176,877	842,169	7,262,727
Loans secured by intangible assets or monetary assets	793,103	331	9,478	70,000	872,912
Total	<u>6,605,725</u>	<u>9,821,074</u>	<u>5,907,751</u>	<u>2,056,415</u>	<u>24,390,965</u>
As a percentage of gross loans and advances to customers	<u>1.44%</u>	<u>2.15%</u>	<u>1.29%</u>	<u>0.45%</u>	<u>5.33%</u>

Overdue loans represent loans, of which the whole or part of the principal or interest were overdue for one day or more.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(e) Loans and advance and provision for impairment losses

- (i) As at 31 December 2020, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	31 December 2020			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
Gross loans and advances to customers	503,677,602	25,555,014	17,829,941	547,062,557
Add: interest receivable	6,985,114	975,344	–	7,960,458
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(7,337,769)	(6,987,110)	(6,010,909)	(20,335,788)
Net loans and advances to customers	<u>503,324,947</u>	<u>19,543,248</u>	<u>11,819,032</u>	<u>534,687,227</u>

- (ii) As at 31 December 2019, detailed information of loans and advances to customers and provision for impairment losses is as follows:

	31 December 2019			
	Loans and advances that are assessed for expected credit losses over the next 12 months	Loans and advances that are not credit-impaired and assessed for lifetime expected credit loss	Credit-impaired loans and advances that are assessed for lifetime expected credit loss	Total
Gross loans and advances to customers	431,583,015	7,080,721	18,538,639	457,202,375
Add: interest receivable	1,872,773	179,543	–	2,052,316
Less: provision for impairment losses on loans and advances to customers measured at amortised cost	(5,480,833)	(1,429,810)	(5,968,527)	(12,879,170)
Net loans and advances to customers	<u>427,974,955</u>	<u>5,830,454</u>	<u>12,570,112</u>	<u>446,375,521</u>



19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses

As at 31 December 2020, the movements of provision for loans and advances to customers are as follows:

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	Year ended 31 December 2020			
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	Total
As at 1 January	5,480,833	1,429,810	5,968,527	12,879,170
Transferred:				
– to ECL over the next 12 months	799,080	(224,525)	(574,555)	–
– to lifetime ECL- not credit-impaired loans	(145,603)	147,993	(2,390)	–
– to lifetime ECL- credit-impaired loans	(41,354)	(284,438)	325,792	–
Net charge for the year	1,244,813	5,918,270	956,425	8,119,508
Transfer out	–	–	(293,502)	(293,502)
Write-offs	–	–	(427,236)	(427,236)
Recoveries	–	–	57,848	57,848
As at 31 December	7,337,769	6,987,110	6,010,909	20,335,788

- (ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:

	Year ended 31 December 2020			
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	Total
As at 1 January	8,618	–	–	8,618
Net charge for the year	209,100	–	–	209,100
As at 31 December	217,718	–	–	217,718



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(f) Movements of provision for impairment losses (Continued)

As at 31 December 2019, the movements of provision for loans and advances to customers are as follows:

- (i) Movements of provision for impairment losses of loans and advances to customers measured at amortised cost:

	Year ended 31 December 2019			
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	Total
As at 1 January	3,640,867	1,200,134	5,517,585	10,358,586
Transferred:				
– to ECL over the next 12 months	7,289	(449)	(6,840)	–
– to lifetime ECL- not credit-impaired loans	(27,845)	27,986	(141)	–
– to lifetime ECL- credit-impaired loans	(70,228)	(158,886)	229,114	–
Net charge for the year	1,930,750	361,025	8,090,170	10,381,945
Transfer out	–	–	(8,203,540)	(8,203,540)
Write-offs	–	–	(15,046)	(15,046)
Recoveries	–	–	357,225	357,225
As at 31 December	<u>5,480,833</u>	<u>1,429,810</u>	<u>5,968,527</u>	<u>12,879,170</u>

- (ii) Movements of provision for impairment losses of loans and advances to customers measured at fair value through other comprehensive income:

	Year ended 31 December 2019			
	ECL over the next 12 months	Lifetime ECL- not credit-impaired loans	Lifetime ECL- credit-impaired loans	Total
As at 1 January	1,629	–	–	1,629
Net charge for the year	<u>6,989</u>	<u>–</u>	<u>–</u>	<u>6,989</u>
As at 31 December	<u>8,618</u>	<u>–</u>	<u>–</u>	<u>8,618</u>

Provision for impairment of loans and advances to customers measured at fair value through other comprehensive income are recognised in other comprehensive income, while the impairment losses are recognised in profit or loss. Besides, the carrying amount of the financial assets presented in the balance sheet are not reduced.



19 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

(g) Analysed by geographical sector (Note (i))

	31 December 2020		
	Loans balance	Percentage	Loans and advances secured by collaterals
Northeast China	472,633,430	87%	268,374,594
North China	55,354,324	10%	13,577,666
Others	19,074,803	3%	14,784,045
Gross loans and advances to customers	547,062,557	100%	296,736,305

	31 December 2019		
	Loans balance	Percentage	Loans and advances secured by collaterals
Northeast China	399,571,957	87%	237,428,825
North China	44,889,718	10%	11,408,813
Others	12,740,700	3%	7,538,774
Gross loans and advances to customers	457,202,375	100%	256,376,412

Note:

- (i) The definitions of the geographical sectors are set out in Note 38(b).

20 FINANCIAL INVESTMENTS

	Note	31 December 2020	31 December 2019
Financial assets at fair value through profit or loss	20(a)	100,939,472	156,691,876
Financial assets at fair value through other comprehensive income	20(b)	27,878,398	33,451,350
Financial assets measured at amortised cost	20(c)	229,227,082	227,348,966
Total		358,044,952	417,492,192



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

20 FINANCIAL INVESTMENTS (CONTINUED)

(a) Financial assets at fair value through profit or loss

	Note	31 December 2020	31 December 2019
Debt securities at fair value listed outside Hong Kong			
– Policy banks		588,420	383,136
– Banks and other financial institutions		1,395,471	1,686,272
– Corporate		1,090,297	1,030,961
Subtotal		3,074,188	3,100,369
Wealth management plan		60,710,215	116,098,273
Investment funds		36,861,473	37,493,234
Beneficial investment of trust		293,596	–
Total		100,939,472	156,691,876

(b) Financial assets at fair value through other comprehensive income

	Note	31 December 2020	31 December 2019
Debt securities at fair value listed outside Hong Kong			
– Government		12,029,935	9,889,376
– Policy banks		7,428,435	15,548,565
– Banks and other financial institutions		1,849,715	1,415,436
– Corporate		1,837,108	685,278
Subtotal		23,145,193	27,538,655
Wealth management plan		–	1,107,105
Equity investments			
– Listed		156,927	–
– Unlisted	20(b)(i)	4,099,206	4,318,416
Subtotal		4,256,133	5,425,521
Add: interest receivable		477,072	487,174
Total		27,878,398	33,451,350

Note:

- (i) The Group chose to designate non-trading equity investments as at financial assets at fair value through other comprehensive income on the transition date. As at 31 December 2020, the amount for these non-trading equity investments was RMB4,256 million (31 December 2019: RMB4,318 million). As at 31 December 2020, the amount for these non-trading equity investments of the Group disposed was RMB126 million (31 December 2019: Nil) and the amount for accumulated gain transferred from other comprehensive income to retained earnings was RMB86 million.



20 FINANCIAL INVESTMENTS (CONTINUED)

(b) Financial assets at fair value through other comprehensive income (Continued)

The movements of provision for financial assets at fair value through other comprehensive income are as follows:

	Year ended 31 December 2020			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	2,336	–	–	2,336
Net charge for the year	(1,317)	–	641,840	640,523
As at 31 December	1,019	–	641,840	642,859

	Year ended 31 December 2019			Total
	ECL over the next 12 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	5,453	–	–	5,453
Net release for the year	(3,117)	–	–	(3,117)
As at 31 December	2,336	–	–	2,336

Provision for impairment of financial investments measured at fair value through other comprehensive income are recognised in other comprehensive income, while losses or gains from impairment are included in profit or loss. Besides, the book value of the financial assets presented in the balance sheet are not reduced.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***20 FINANCIAL INVESTMENTS (CONTINUED)****(c) Financial assets measured at amortised cost**

	31 December 2020	31 December 2019
Debt securities at fair value listed outside Hong Kong		
– Government	66,643,142	58,487,011
– Policy banks	77,422,643	72,871,086
– Banks and other financial institutions	200,000	–
– Corporate	1,821,623	3,342,022
Subtotal	146,087,408	134,700,119
Wealth management plan	4,558,243	14,771,585
Beneficial investment of trust	78,269,005	76,775,572
Subtotal	82,827,248	91,547,157
Add: interest receivable	3,725,514	3,126,235
Less: provision for impairment losses	(3,413,088)	(2,024,545)
Total	229,227,082	227,348,966



20 FINANCIAL INVESTMENTS (CONTINUED)

(c) Financial assets measured at amortised cost (Continued)

The movements of provision for financial assets at amortised cost are as follows:

	Year ended 31 December 2020			Total
	ECL over the next 12 months	Lifetime ECL - not credit-impaired	Lifetime ECL - credit- impaired	
As at 1 January	828,138	165,454	1,030,953	2,024,545
Transferred:				
– to lifetime ECL - credit-impaired investments	(27,132)	–	27,132	–
Net charge/(release) for the year	839,192	(13,878)	563,229	1,388,543
As at 31 December	1,640,198	151,576	1,621,314	3,413,088

	Year ended 31 December 2019			Total
	ECL over the next 12 months	Lifetime ECL - not credit-impaired	Lifetime ECL - credit- impaired	
As at 1 January	1,322,900	785,637	289,376	2,397,913
Transferred:				
– to lifetime ECL - credit-impaired investments	(59,881)	(6,717)	66,598	–
Net (release)/charge for the year	(434,881)	(613,466)	674,979	(373,368)
As at 31 December	828,138	165,454	1,030,953	2,024,545



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

21 INVESTMENTS IN SUBSIDIARIES

The Bank

	31 December 2020	31 December 2019
Shenyang Shenbei Fumin Village Bank Co., Ltd. ("Shenyang Shenbei")	35,321	35,321
Shenyang Xinmin Fumin Village Bank Co., Ltd. ("Shenyang Xinmin")	6,230	6,230
Shenyang Faku Fumin Village Bank Co., Ltd. ("Shenyang Faku")	6,262	6,262
Shenyang Liaozhong Fumin Village Bank Co., Ltd. ("Shenyang Liaozhong")	6,097	6,097
Ningbo Jiangbei Fumin Rural Bank Co., Ltd. ("Ningbo Jiangbei")	30,039	30,039
Shanghai Baoshan Fumin Rural Bank Co., Ltd. ("Shanghai Baoshan")	62,208	62,208
Shengjing Bank Consumer Finance Co., Ltd. ("Shengjing Consumer")	180,000	180,000
Total	326,157	326,157

As at 31 December 2020, background of the subsidiaries is as follows:

	Notes	Date of incorporation	Place of incorporation, registration and operations	Registered capital	Percentage owned by the Bank	Business sector	Economic nature/type
Shenyang Shenbei	21(a)	09/02/2009	Liaoning, China	150,000	20%	Banking	Incorporated company
Shenyang Xinmin	21(b)	25/06/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Shenyang Faku	21(c)	26/10/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Shenyang Liaozhong	21(d)	26/11/2010	Liaoning, China	30,000	20%	Banking	Incorporated company
Ningbo Jiangbei	21(e)	17/08/2011	Zhejiang, China	100,000	30%	Banking	Incorporated company
Shanghai Baoshan	21(f)	09/09/2011	Shanghai, China	150,000	40%	Banking	Incorporated company
Shengjing Consumer		25/02/2016	Liaoning, China	300,000	60%	Consumer finance	Limited company



21 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The Bank (Continued)

Note:

- (a) According to the revised Articles of Association of Shenyang Shenbei approved by the General Meeting held in June 2012, the financial and operational decisions of Shenyang Shenbei were made by the Bank. The Bank also agreed with seven shareholders who held in total 61.34% of ownership and voting power of Shenyang Shenbei that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Shenbei and classified its investment in Shenyang Shenbei as investments in subsidiaries.
- (b) According to the revised Articles of Association of Shenyang Xinmin approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Xinmin were made by the Bank. The Bank also agreed with eight shareholders who held in total 55% of ownership and voting power of Shenyang Xinmin that these eight shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Xinmin and classified its investment in Shenyang Xinmin as investments in subsidiaries.
- (c) According to the revised Articles of Association of Shenyang Faku approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Faku were made by the Bank. The Bank also agreed with seven shareholders who held in total 50% of ownership and voting power of Shenyang Faku that these seven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Faku and classified its investment in Shenyang Faku as investments in subsidiaries.
- (d) According to the revised Articles of Association of Shenyang Liaozhong approved by the General Meetings held in June 2012, the financial and operational decisions of Shenyang Liaozhong were made by the Bank. The Bank also agreed with eleven shareholders who held in total 70% of ownership and voting power of Shenyang Liaozhong that these eleven shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shenyang Liaozhong and classified its investment in Shenyang Liaozhong as investments in subsidiaries.
- (e) According to the revised Articles of Association of Ningbo Jiangbei approved by the General Meetings held in June 2012, the financial and operational decisions of Ningbo Jiangbei were made by the Bank. The Bank also agreed with six shareholders who held in total 50% of ownership and voting power of Ningbo Jiangbei that these six shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Ningbo Jiangbei and classified its investment in Ningbo Jiangbei as investments in subsidiaries.
- (f) According to the revised Articles of Association of Shanghai Baoshan approved by the General Meetings held in June 2012, the financial and operational decisions of Shanghai Baoshan were made by the Bank. The Bank also agreed with four shareholders who held in total 35.33% of ownership and voting power of Shanghai Baoshan that these four shareholders would follow the vote of the Bank on all key decision making including but not limited to financial and operational decisions from June 2012. Hence, the Bank had control over Shanghai Baoshan and classified its investment in Shanghai Baoshan as investments in subsidiaries.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

22 PROPERTY AND EQUIPMENT

	Premises	Leasehold improvement	CIP	Office equipment	Others	Total
Cost						
As at 1 January 2019	3,916,517	894,515	2,271,661	803,316	102,329	7,988,338
Additions	128,419	160,144	349,466	203,666	2,282	843,977
CIP transfers	–	1,819	(1,819)	–	–	–
Disposals	–	–	–	(3,416)	(12,382)	(15,798)
As at 31 December 2019 and 1 January 2020	4,044,936	1,056,478	2,619,308	1,003,566	92,229	8,816,517
Additions	–	45,958	403,043	108,016	256	557,273
CIP transfers	679,675	72,967	(752,642)	–	–	–
Disposals	(260,932)	–	–	(52,263)	(4,292)	(317,487)
As at 31 December 2020	4,463,679	1,175,403	2,269,709	1,059,319	88,193	9,056,303
Accumulated depreciation						
As at 1 January 2019	(1,478,451)	(561,555)	–	(594,269)	(93,638)	(2,727,913)
Additions	(191,108)	(116,577)	–	(90,234)	(3,570)	(401,489)
Disposals	–	–	–	3,241	11,922	15,163
As at 31 December 2019 and 1 January 2020	(1,669,559)	(678,132)	–	(681,262)	(85,286)	(3,114,239)
Additions	(186,412)	(104,223)	–	(113,022)	(1,672)	(405,329)
Disposals	131,984	–	–	26,888	4,163	163,035
As at 31 December 2020	(1,723,987)	(782,355)	–	(767,396)	(82,795)	(3,356,533)
Net book value						
As at 31 December 2019	2,375,377	378,346	2,619,308	322,304	6,943	5,702,278
As at 31 December 2020	2,739,692	393,048	2,269,709	291,923	5,398	5,699,770

The carrying amount of premises without title deeds as at 31 December 2020 was RMB448.75 million (31 December 2019: RMB488.38 million). The Group is still in the progress of applying the title deeds for the above premises. Management of the Group expected that there would be no significant costs in obtaining the title deeds.



22 PROPERTY AND EQUIPMENT (CONTINUED)

The net book values of premises at the end of the reporting period are analysed by the remaining terms of the land leases as follows:

	31 December 2020	31 December 2019
Held in mainland China		
– Long term leases (over 50 years)	232,746	246,923
– Medium term leases (10 - 50 years)	2,323,792	1,929,388
– Short term leases (less than 10 years)	183,154	199,066
Total	2,739,692	2,375,377

23 DEFERRED TAX ASSETS AND LIABILITIES

(a) Analysed by nature

	31 December 2020		31 December 2019	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets:				
Allowance for impairment losses	23,993,792	5,998,448	21,588,672	5,397,169
Supplementary retirement benefits	94,476	23,619	103,566	25,891
Subtotal	24,088,268	6,022,067	21,692,238	5,423,060
Deferred tax liabilities:				
Change in fair value of financial assets at fair value through other comprehensive income	844,680	211,170	(533,304)	(133,326)
Change in fair value of derivative financial instruments	(206,088)	(51,522)	(2,697,764)	(674,441)
Change in fair value of financial assets at fair value through profit or loss	(2,633,744)	(658,436)	(1,942,868)	(485,717)
Subtotal	(1,995,152)	(498,788)	(5,173,936)	(1,293,484)
Net deferred tax	22,093,116	5,523,279	16,518,302	4,129,576

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***23 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)****(b) Analysed by movement**

	At 1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2020
Deferred tax assets:				
Allowance for impairment losses	5,397,169	601,279	–	5,998,448
Supplementary retirement benefits	25,891	(1,159)	(1,113)	23,619
Subtotal	5,423,060	600,120	(1,113)	6,022,067
Deferred tax liabilities:				
Change in fair value of financial assets at fair value through other comprehensive income	(133,326)	–	344,496	211,170
Change in fair value of derivative financial instruments	(674,441)	622,919	–	(51,522)
Change in fair value of financial assets at fair value through profit or loss	(485,717)	(172,719)	–	(658,436)
Subtotal	(1,293,484)	450,200	344,496	(498,788)
Net deferred tax	4,129,576	1,050,320	343,383	5,523,279



23 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(b) Analysed by movement (Continued)

	At 1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	At 31 December 2019
Deferred tax assets:				
Allowance for impairment losses	3,093,912	2,303,257	–	5,397,169
Supplementary retirement benefits	24,622	(767)	2,036	25,891
Subtotal	3,118,534	2,302,490	2,036	5,423,060
Deferred tax liabilities:				
Change in fair value of financial assets at fair value through other comprehensive income	(374,195)	–	240,869	(133,326)
Change in fair value of derivative financial instruments	(353,113)	(321,328)	–	(674,441)
Change in fair value of financial assets at fair value through profit or loss	(238,668)	(247,049)	–	(485,717)
Subtotal	(965,976)	(568,377)	240,869	(1,293,484)
Net deferred tax	2,152,558	1,734,113	242,905	4,129,576

24 OTHER ASSETS

	Note	31 December 2020	31 December 2019
Settlement and clearing accounts		8,252,678	1,737,026
Reposessed assets	24(a)	1,598,979	1,238,158
Interest receivable	24(c)	627,226	320,574
Right-of-use assets	24(b)	605,726	674,985
Intangible assets	24(d)	224,835	192,307
Continued involvement in assets	45	198,596	–
Land use rights		72,788	65,770
Prepayments		39,069	68,956
Others	24(e)	1,108,686	1,554,022
Total		12,728,583	5,851,798

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***24 OTHER ASSETS (CONTINUED)****(a) Repossessed assets**

	31 December 2020	31 December 2019
Land use rights and buildings	1,658,419	1,297,598
Less: impairment allowance	(59,440)	(59,440)
	<u>1,598,979</u>	<u>1,238,158</u>

(b) Right-of-use assets

	Leased properties and buildings
Cost	
As at 1 January 2019	647,837
Additions	<u>194,586</u>
As at 31 December 2019 and 1 January 2020	842,423
Additions	103,979
Disposals	<u>(24,554)</u>
As at 31 December 2020	<u>921,848</u>
Accumulated depreciation	
As at 1 January 2019	—
Additions	<u>(167,438)</u>
As at 31 December 2019 and 1 January 2020	(167,438)
Additions	(173,238)
Disposals	<u>24,554</u>
As at 31 December 2020	<u>(316,122)</u>
Carrying amount:	
As at 31 December 2019	<u>674,985</u>
As at 31 December 2020	<u>605,726</u>



24 OTHER ASSETS (CONTINUED)

(c) Interest receivable

	31 December 2020	31 December 2019
Interest receivable arising from:		
– Loans and advances to customers	627,226	320,574

(d) Intangible assets

	2020	2019
Cost		
As at 1 January	317,615	220,785
Additions	64,068	96,830
As at 31 December	381,683	317,615
Accumulated amortisation		
As at 1 January	(125,308)	(102,567)
Additions	(31,540)	(22,741)
As at 31 December	(156,848)	(125,308)
Net value		
As at 1 January	192,307	118,218
As at 31 December	224,835	192,307

Intangible assets of the Group mainly represent computer software.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***24 OTHER ASSETS (CONTINUED)****(e) Others**

	31 December 2020	31 December 2019
Receivable due from disposal of non-performing assets (Note (i))	653,754	653,754
Others	764,007	1,217,590
Subtotal	1,417,761	1,871,344
Less: impairment allowance	(309,075)	(317,322)
	1,108,686	1,554,022

Note:

- (i) It represents a receivable from Shenyang City Infrastructure Construction Investment Development Co., Ltd. and the receivable is guaranteed by one of the Bank's shareholder, Shenyang Hengxin State-owned Asset Management Group Co., Ltd.

25 BORROWINGS FROM CENTRAL BANK

	31 December 2020	31 December 2019
Borrowings (Note (a))	2,768,243	6,700,000
Add: interest payable	47,120	93,977
Total	2,815,363	6,793,977

Note:

- (a) Borrowings from Central Bank mainly include Medium-term Lending Facility and open market operations.



26 DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2020	31 December 2019
Deposits in mainland China		
– Banks	20,940,774	23,498,716
– Other financial institutions	69,530,959	72,955,513
Subtotal	90,471,733	96,454,229
Add: interest payable	320,973	383,103
Total	90,792,706	96,837,332

27 PLACEMENTS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

Analysed by type and location of counterparty

	31 December 2020	31 December 2019
Placements in mainland China		
– Banks	4,894,041	6,501,364
– Other financial institutions	30,000	57,000
Subtotal	4,924,041	6,558,364
Add: interest payable	60,464	30,937
Total	4,984,505	6,589,301

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***28 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS****(a) Analysed by type and location of counterparty**

	31 December 2020	31 December 2019
In mainland China		
– Banks	76,937,870	38,323,587
– Other financial institutions	12,676,968	21,723,659
Subtotal	89,614,838	60,047,246
Add: interest payable	57,415	69,887
Total	89,672,253	60,117,133

(b) Analysed by type of security held

	31 December 2020	31 December 2019
Debt securities sold under repurchase agreements	63,261,115	52,348,317
Bills sold under repurchase agreements	26,353,723	7,698,929
Subtotal	89,614,838	60,047,246
Add: interest payable	57,415	69,887
Total	89,672,253	60,117,133



29 DEPOSITS FROM CUSTOMERS

	31 December 2020	31 December 2019
Demand deposits		
– Corporate deposits	141,808,350	190,952,618
– Personal deposits	24,304,387	37,732,968
Subtotal	166,112,737	228,685,586
Time deposits		
– Corporate deposits	148,980,109	197,106,655
– Personal deposits	333,600,481	174,367,690
Subtotal	482,580,590	371,474,345
Pledged deposits		
– Acceptances	21,675,248	36,250,974
– Letters of credit	3,636,945	2,598,266
– Letters of guarantees	4,019,489	1,418,793
– Others	487,990	399,388
Subtotal	29,819,672	40,667,421
Inward and outward remittances	2,891,748	600,839
Total deposits from customers at amortised cost	681,404,747	641,428,191
Add: interest payable	15,959,155	13,642,803
Total	697,363,902	655,070,994



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

30 DEBT SECURITIES ISSUED

	Note	31 December 2020	31 December 2019
Tier two capital fixed rate debts maturing in December 2027	30(a)	6,000,000	6,000,000
Financial fixed rate bonds maturing in August 2021	30(b)	2,000,000	2,000,000
Financial fixed rate bonds maturing in August 2021	30(c)	12,000,000	12,000,000
Financial fixed rate bonds maturing in October 2021	30(d)	8,000,000	8,000,000
Financial fixed rate bonds maturing in November 2021	30(e)	6,900,000	6,900,000
Tier two capital fixed rate debts maturing in December 2025	30(f)	—	10,000,000
Certificates of interbank deposit	30(g)	10,022,558	35,728,767
Subtotal		44,922,558	80,628,767
Add: interest payable		340,079	364,287
Total		45,262,637	80,993,054

Notes:

- (a) Tier two capital fixed rate debts of RMB6.0 billion with a term of ten years were issued on 18 December 2017. The coupon rate is 4.90%. The Group has an option to redeem the debts at the 5th year at the nominal amount. If the debts are not redeemed by the Group, the coupon rate will stay the same for the next 5 years.
- (b) Financial fixed rate bonds of RMB2.0 billion with a term of five years were issued on 26 August 2016. The coupon rate is 3.10% per annum.
- (c) Financial fixed rate bonds of RMB12.0 billion with a term of three years were issued on 15 August 2018. The coupon rate is 4.35% per annum.
- (d) Financial fixed rate bonds of RMB8.0 billion with a term of three years were issued on 25 October 2018. The coupon rate is 4.10% per annum.
- (e) Financial fixed rate bonds of RMB6.9 billion with a term of three years were issued on 26 November 2018. The coupon rate is 3.98% per annum.
- (f) Tier two capital fixed rate debts of RMB10.0 billion with a term of ten years were issued on 4 December 2015. The coupon rate is 4.57%. The Group has redeemed the debts at the end of the 5th year at the nominal amount.
- (g) As at 31 December 2020, the interbank negotiable certificates of deposit were measured at amortised cost. The fair value of the interbank deposits issued mentioned above approximates to RMB9,973 million (31 December 2019: RMB35,111 million).



31 OTHER LIABILITIES

	<i>Note</i>	31 December 2020	31 December 2019
Payment and collection clearance accounts		824,650	3,780,359
Lease liabilities	31(b)	546,541	606,384
Expected credit loss of credit commitment	31(a)	544,511	784,340
Taxes payable	31(c)	482,209	542,518
Accrued staff cost	31(d)	455,942	298,435
Deferred income		244,917	103,220
Continuing involvement in liability	45	198,596	–
Dividend payable		108,291	341,657
Dormant accounts		69,370	46,829
Asset backed security payable		4,363	–
Others		551,217	632,451
		<hr/>	<hr/>
Total		4,030,607	7,136,193
		<hr/> <hr/>	<hr/> <hr/>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***31 OTHER LIABILITIES (CONTINUED)****(a) Expected credit loss of credit commitment**

	Year ended 31 December 2020			Total
	ECL over the next 2 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	657,853	34,143	92,344	784,340
Transferred:				
– to ECL over the next 12 months	1,138	(108)	(1,030)	–
– to lifetime ECL- not credit-impaired	(3)	3	–	–
– to lifetime ECL- credit-impaired	(60)	(28)	88	–
Net release for the year	<u>(123,953)</u>	<u>(30,992)</u>	<u>(84,884)</u>	<u>(239,829)</u>
As at 31 December	<u>534,975</u>	<u>3,018</u>	<u>6,518</u>	<u>544,511</u>

	Year ended 31 December 2019			Total
	ECL over the next 2 months	Lifetime ECL- not credit-impaired	Lifetime ECL- credit-impaired	
As at 1 January	551,708	45,849	113,397	710,954
Transferred:				
– to ECL over the next 12 months	317	(22)	(295)	–
– to lifetime ECL- credit-impaired	(1)	(134)	135	–
Net charge/(release) for the year	<u>105,829</u>	<u>(11,550)</u>	<u>(20,893)</u>	<u>73,386</u>
As at 31 December	<u>657,853</u>	<u>34,143</u>	<u>92,344</u>	<u>784,340</u>



31 OTHER LIABILITIES (CONTINUED)

(b) Maturity analysis of contractual undiscounted cash flows of lease liabilities

	31 December 2020	31 December 2019
Within one year	130,066	147,091
Between one year and two years	114,536	125,063
Between two years and three years	100,869	103,063
Between three years and five years	140,864	153,576
More than five years	134,107	166,214
	<hr/>	<hr/>
Contractual undiscounted cash flows of lease liabilities	620,442	695,007
	<hr/>	<hr/>
Ending balance of lease liabilities	546,541	606,384
	<hr/>	<hr/>

(c) Taxes payable

	31 December 2020	31 December 2019
Value-added tax and surcharges payable	414,285	442,364
Others	67,924	100,154
	<hr/>	<hr/>
Total	482,209	542,518
	<hr/>	<hr/>

(d) Accrued staff cost

	Note	31 December 2020	31 December 2019
Salary, bonuses and allowances payable		314,923	70,065
Supplementary retirement benefits payable	31(d)(i)	94,481	103,566
Housing allowances payable		29,957	30,092
Pension and annuity payable	31(d)(ii)	3,181	77,111
Other social insurance payable		3,070	1,616
Others		10,330	15,985
		<hr/>	<hr/>
Total		455,942	298,435
		<hr/>	<hr/>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***31 OTHER LIABILITIES (CONTINUED)****(d) Accrued staff cost (Continued)****(i) Supplementary retirement benefits***Early retirement plan*

The Group provides early retirement benefit payments to employees who voluntarily agreed to retire before the retirement age during the period from the date of early retirement to the statutory retirement date. The Group accounts for the respective obligations in accordance with the accounting policies in Note 2(o).

Supplementary retirement plan

The Group provides a supplementary retirement plan to its eligible employees, which is mainly heating compensation. The Group accounted for the respective obligations in accordance with the accounting policies in Note 2(o).

(1) The balances of supplementary retirement benefits of the Group are as follows:

	31 December 2020	31 December 2019
Present value of early retirement plan	24,362	32,635
Present value of supplementary retirement plan	70,119	70,931
Total	94,481	103,566

(2) The movements of supplementary retirement benefits of the Group are as follows:

	2020	2019
As at 1 January	103,566	98,487
Benefits paid during the year	(10,978)	(16,506)
Defined benefit cost recognised in profit or loss	6,344	13,440
Defined benefit cost recognised in other comprehensive income	(4,451)	8,145
As at 31 December	94,481	103,566



31 OTHER LIABILITIES (CONTINUED)

(d) Accrued staff cost (Continued)

(i) Supplementary retirement benefits (Continued)

Supplementary retirement plan (Continued)

(3) Principal actuarial assumptions of the Group are as follows:

Early retirement plan	31 December 2020	31 December 2019
Discount rate	2.75%	2.75%
Mortality	<i>Note 31(d)(i)(3)(i)</i>	<i>Note 31(d)(i)(3)(i)</i>
Retired age		
– Male	60	60
– Female	55	55
Annual increase rate of internal salary	4.00%	4.00%

Supplementary retirement plan	31 December 2020	31 December 2019
Discount rate	3.75%	3.50%
Mortality	<i>Note 31(d)(i)(3)(i)</i>	<i>Note 31(d)(i)(3)(i)</i>
Turnover rate	3.00%	3.00%
Retired age		
– Male	60	60
– Female	55	55

Note:

(i) As at 31 December 2020, Mortality assumptions are based on China Life Insurance Annuity Table (2010-2013) in China Life Insurance Mortality Table complied by People's Life Insurance Company of China (PLICC), which are published historical statistics in China.

(ii) Pension and annuity

Pursuant to the relevant laws and regulations in the PRC, the Group has participated in the social pension schemes for employees arranged by local government labor and social security authorities. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stimulated by the relevant government authorities.

The Group also provides an annuity plan to the eligible employees. The Group makes annuity contributions in proportion to the total salaries and bonuses of employees, which are charged to profit or loss when the contributions are made.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

32 MOVEMENT IN COMPONENTS OF EQUITY

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Bank's individual components of equity between the beginning and the end of the reporting period are set out below:

	Note	Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total
Balance at 1 January 2020		8,796,680	26,931,360	7,166,927	13,390,472	399,979	8,215	(19,986)	21,840,442	78,514,089
Profit for the year		-	-	-	-	-	-	-	1,166,620	1,166,620
Other comprehensive income		-	-	-	-	(1,033,488)	637,217	3,338	-	(392,933)
Total comprehensive income		-	-	-	-	(1,033,488)	637,217	3,338	1,166,620	773,687
Appropriation of profit:										
- Appropriation to surplus reserve	35	-	-	116,662	-	-	-	-	(116,662)	-
- Appropriation to general reserve	35	-	-	-	277,780	-	-	-	(277,780)	-
Subtotal		-	-	116,662	277,780	-	-	-	(394,442)	-
Disposal of equity investment at fair value through other comprehensive income		-	-	-	-	-	-	-	85,556	86,556
Balance at 31 December 2020		8,796,680	26,931,360	7,283,589	13,668,252	(633,509)	645,432	(16,648)	22,698,176	79,373,332



32 MOVEMENT IN COMPONENTS OF EQUITY (CONTINUED)

		Share capital	Capital reserve	Surplus reserve	General reserve	Fair value reserve	Provision reserve	Deficit on remeasurement of net defined benefit liability	Retained earnings	Total
	Note									
Balance at 1 January 2019		5,796,680	11,855,505	6,110,162	12,564,922	1,122,587	5,311	(13,877)	18,977,059	56,418,349
Profit for the year		-	-	-	-	-	-	-	5,441,300	5,441,300
Other comprehensive income		-	-	-	-	(722,608)	2,904	(6,109)	-	(725,813)
Total comprehensive income		-	-	-	-	(722,608)	2,904	(6,109)	5,441,300	4,715,487
Changes in share capital										
– Placement of domestic shares	33	2,200,000	10,986,653	-	-	-	-	-	-	13,186,653
– Placement of H-shares	33	800,000	4,089,202	-	-	-	-	-	-	4,889,202
Subtotal		3,000,000	15,075,855	-	-	-	-	-	-	18,075,855
Appropriation of profit:										
– Appropriation to surplus reserve	35	-	-	1,056,765	-	-	-	-	(1,056,765)	-
– Appropriation to general reserve	35	-	-	-	825,550	-	-	-	(825,550)	-
– Cash dividends	35	-	-	-	-	-	-	-	(695,602)	(695,602)
Subtotal		-	-	1,056,765	825,550	-	-	-	(2,577,917)	(695,602)
Balance at 31 December 2019		8,796,680	26,931,360	7,166,927	13,390,472	399,979	8,215	(19,986)	21,840,442	78,514,089

33 SHARE CAPITAL

Issued share capital

	31 December 2020	31 December 2019
Number of shares, issued and fully paid at par value (<i>in thousands</i>)	8,796,680	8,796,680

On 28 November 2019, the Bank placed 2,200 million domestic shares with a par value of RMB1 at a price of RMB6 per share and 800 million H-shares with a par value of RMB1 at an offering price of HKD6.82 per share. The premium arising from the new placing shares (net of the placing expenses) amounting to RMB15,076 million was recorded in capital reserve.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***34 RESERVES****(a) Capital reserve**

Capital reserve mainly included share premium arising from the issuance of new shares at prices in excess of par value.

(b) Surplus reserve

The surplus reserve at the end of the reporting period represented statutory surplus reserve fund and discretionary surplus reserve fund.

Pursuant to the Company Law of the PRC and the Article of Association, the Bank is required to appropriate 10% of its net profit according to the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF") after making good prior year's accumulated loss, to statutory surplus reserve fund until the reserve fund balance reaches 50% of its registered capital.

The Bank also appropriates discretionary surplus reserve fund in accordance with the resolution of the shareholders.

(c) General reserve

From 1 July 2012, pursuant to the "Measures on Impairment Allowances for Financial Enterprises (Cai Jin [2012] No.20)" issued by the MOF on 20 March 2012, the Group is required to set aside a general reserve through its profit appropriation which should not be lower than 1.5% of the ending balance of its gross risk-bearing assets by 31 December 2019.

(d) Fair value reserve

	2020	2019
As at 1 January	399,979	1,122,587
Changes in fair value recognised in fair value reserve	(1,165,181)	48,820
Transfer to profit or loss upon disposal	(198,970)	(1,012,297)
Transfer to retained earnings upon disposal	(13,833)	—
Less: income tax	344,496	240,869
Subtotal	(1,033,488)	(722,608)
As at 31 December	(633,509)	399,979



34 RESERVES (CONTINUED)

(e) Provision reserve

	2020	2019
As at 1 January	8,215	5,311
Changes in fair value recognised in provision reserve	849,623	3,872
Less: income tax	(212,406)	(968)
As at 31 December	645,432	8,215

(f) Deficit on remeasurement of net defined benefit liability

Deficit on remeasurement of net defined benefit liability represents actuarial gains or losses, net of tax, from remeasuring the net defined benefit liability.

(g) Retained earnings

As at 31 December 2020, the retained earnings included the statutory surplus reserve of RMB9.27 million (31 December 2019: RMB5.91 million), appropriated by the subsidiaries and attributable to the Bank, of which RMB3.36 million (2019: RMB0.46 million) was appropriated by the subsidiaries for the year then ended. The statutory surplus reserve in retained earnings which is contributed by subsidiaries cannot be further distributed.

35 PROFIT DISTRIBUTION

- (i) In accordance with the resolution of the Bank's Board of directors meeting on 30 March 2021, the proposed profit distribution plan for the year ended 31 December 2020 is as follows:

- Appropriate RMB116.66 million to the statutory surplus reserve fund;
- Appropriate RMB303.73 million to the general reserve.

The profit appropriation resolution mentioned above has yet to be approved by the Bank's shareholders.

- (ii) In accordance with the resolution of the Bank's 2019 Annual General Meeting held on 5 June 2020, the shareholders approved the following profit distribution plan for the year ended 31 December 2019 is as follows:

- Appropriate RMB544.13 million to the statutory surplus reserve fund;
- Appropriate RMB277.78 million to the general reserve.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Cash and cash equivalents comprise:

	31 December 2020	31 December 2019
Cash on hand	1,152,427	877,084
Deposits with Central Bank other than restricted deposits	9,074,637	28,421,050
Deposits with banks and other financial institutions with original maturity of three months or less	12,358,995	19,795,064
Placements with banks and other financial institutions with original maturity of three months or less	4,500,000	8,200,000
Financial assets held under resale agreements with original maturity of three months or less	22,121,430	18,026,510
Total	49,207,489	75,319,708

(b) Reconciliation of liabilities arising from financing activities:

	Debt securities issued (Note 30)	Interest payable arising from debt securities issued (Note 30)	Total
As at 1 January 2020	80,628,767	364,287	80,993,054
Changes from financing cash flows:			
Net proceeds from new debt securities issued	135,328,820	–	135,328,820
Repayment of debt securities issued	(171,035,029)	–	(171,035,029)
Interest paid on debt securities issued	–	(2,865,182)	(2,865,182)
Total changes from financing cash flows	(35,706,209)	(2,865,182)	(38,571,391)
Other changes:			
Interest expenses (Note 3)	–	2,840,974	2,840,974
Total other changes	–	2,840,974	2,840,974
As at 31 December 2020	44,922,558	340,079	45,262,637



36 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (Continued)

	Debt securities issued (Note 30)	Interest payable arising from debt securities issued (Note 30)	Total
As at 1 January 2019	186,050,363	516,862	186,567,225
Changes from financing cash flows:			
Net proceeds from new debt securities issued	243,939,710	–	243,939,710
Repayment of debt securities issued	(349,361,306)	–	(349,361,306)
Interest paid on debt securities issued	–	(5,505,846)	(5,505,846)
Total changes from financing cash flows	(105,421,596)	(5,505,846)	(110,927,442)
Other changes:			
Interest expenses (Note 3)	–	5,353,271	5,353,271
Total other changes	–	5,353,271	5,353,271
As at 31 December 2019	80,628,767	364,287	80,993,054



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

(a) Relationship of related parties

(i) Major shareholders

Major shareholders include shareholders of the Bank with 5% or above ownership, or assigning a director in the Bank.

Share percentage in the Bank:

	31 December 2020	31 December 2019
Evergrande Group (Nanchang) Co., Ltd.	36.40%	36.40%
Shenyang Hengxin State-owned Asset Management Group Co., Ltd.	5.45%	5.45%
Liaoning Huibao International Investment Group Co., Ltd.	4.55%	4.55%
Xinhu Zhongbao Co., Ltd.	3.41%	3.41%
Founder Securities Co., Ltd.	3.41%	3.41%
Liaoning Huafeng Investment Co., Ltd.	1.14%	1.14%

Main condition of major shareholders:

Company Name	Registered Address	Main business	Company nature	Legal Representative
Evergrande Group (Nanchang) Co., Ltd.	Nanchang	Industrial investment; investment management	Limited Liability Company	Zhong Wenyan
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	Shenyang	Management and operation of asset	Limited Liability Company	Liang Zhifang
Liaoning Huibao International Investment Group Co., Ltd.	Shenyang	Investment management; exploitation and sales of real estate	Limited Liability Company	Ma Chaohai
Xinhu Zhongbao Co., Ltd.	Jiaxing	Industrial investment; exploitation and sales of real estate	Company Limited by Shares	Lin Junbo
Founder Securities Co., Ltd.	Changsha	Share broking; asset management	Company Limited by Shares	Shi Hua
Liaoning Huafeng Investment Co., Ltd.	Shenyang	Project investment and project management	Limited Liability Company	Bao Lijun



37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(a) Relationship of related parties (Continued)

(i) Major shareholders (Continued)

Registered capital of major shareholders:

Company Name	Currency	31 December 2020	31 December 2019
Evergrande Group (Nanchang) Co., Ltd.	RMB	99,984,980	99,984,980
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	RMB	10,000,000	10,000,000
Liaoning International Investment Group Co., Ltd.	RMB	80,000	80,000
Xinhu Zhongbao Co., Ltd.	RMB	8,599,000	8,599,000
Founder Securities Co., Ltd.	RMB	8,232,000	8,232,000
Liaoning Huafeng Investment Co., Ltd.	RMB	50,000	50,000

(ii) Subsidiaries of the Bank

The detailed information of the Bank's subsidiaries is set out in Note 21.

(iii) Other related parties

Other related parties can be individuals or enterprises, which include: members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; entities (and their subsidiaries) controlled or jointly controlled by members of the Board of Directors, the Board of Supervisors and senior management, and close family members of such individuals; and entities controlled or jointly controlled by the major shareholders of the Bank as set out in Note 37(a)(i) or their controlling shareholders. Other related parties also include post-employment benefit plans of the Group (Note 31(b)).



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

*(Expressed in thousands of Renminbi, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(b) Related party transactions and balances**

Related party transactions of the Group mainly refer to loans and deposits, which are entered into in the normal course and terms of business, with consistent pricing policies as in transactions with independent third parties.

(i) Transactions between the Bank and major shareholders**(1) Deposits from customers**

	31 December 2020	31 December 2019
Founder Securities Co., Ltd.	300,000	281,851
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	72,498	26,437
Evergrande Group (Nanchang) Co., Ltd.	1,926	22,451
Liaoning Huibao International Investment Group Co., Ltd.	143	1,310
Xinhu Zhongbao Co., Ltd.	17	17
Liaoning Huafeng Investment Co., Ltd.	12	12
Total	374,596	332,078

(2) Guarantees received

	31 December 2020	31 December 2019
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	1,118,500	889,000
Liaoning Huibao International Investment Group Co., Ltd.	411,663	411,663
Xinhu Zhongbao Co., Ltd.	–	263,160
Total	1,530,163	1,563,823



37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(b) Related party transactions and balances (Continued)

(i) Transactions between the Bank and major shareholders (Continued)

(3) Interest expense

	2020	2019
Founder Securities Co., Ltd.	8,400	2,091
Shenyang Hengxin State-Owned Asset Management Co., Ltd.	442	236
Evergrande Group (Nanchang) Co., Ltd.	23	25,456
Liaoning Huibao International Investment Group Co., Ltd.	1	10
Liaoning Huafeng Investment Co., Ltd.	–	14
Xinhu Zhongbao Co., Ltd.	–	3
Total	8,866	27,810

(ii) Transactions between the Bank and subsidiaries

	31 December 2020	31 December 2019
Balances at the end of the year:		
Deposits from banks and other financial institutions	821,769	742,947
Deposits with banks and other financial institutions	–	2,270,000
Placements with banks and other financial institutions	2,790,000	–
Transactions during the year:		
Interest income	131,071	1,664
Interest expense	10,244	88,694

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)****(b) Related party transactions and balances (Continued)****(iii) Transactions between the Bank and other related parties**

	31 December 2020	31 December 2019
Balances at the end of the year:		
Loans and advances to customers	15,809,573	8,779,104
Financial assets measured at amortised cost	11,878,722	13,781,046
Deposits from customers	13,298,014	32,974,483
Bank acceptances	200,000	331,609
Guarantees received	16,385,790	18,604,400
	2020	2019
Transactions during the year:		
Interest income	2,017,915	1,598,821
Interest expense	162,507	166,221
Fee and commission income	100	166

(c) Key management personnel**(i) Key management personnel remuneration**

	2020	2019
Salaries and other emoluments	22,247	18,300
Discretionary bonuses	31,598	19,302
Contributions to pension schemes	1,512	1,724
Total	55,357	39,326

(ii) Loans and advances to directors, supervisors and officers

At 31 December 2020 and 2019, there is no loans and advances to directors, supervisors and officers of the Group pursuant to section 383(1) of Hong Kong Companies Ordinance.



37 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

(c) Key management personnel (Continued)

(iii) Transactions between the Bank and key management personnel

	31 December 2020	31 December 2019
Balances at the end of the year:		
Deposits from customers	29,025	17,895
Loans and advances to customers	542	660
	2020	2019
Transactions during the year:		
Interest income	33	5
Interest expense	314	384

38 SEGMENT REPORTING

(a) Business Segment

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, government agencies and financial institutions. These products and services include corporate loans and advances, trade financing and deposit taking activities, agency services, and remittance and settlement 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, remittance and settlement services, and collection and payment agency services.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Treasury business

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

Others

Others represent equity investment and related income and any other business which cannot form a single reportable segment.

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. Segment income, expenses, assets and liabilities are determined before intra-group balances and 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, intangible assets and other long-term assets.



38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others (Continued)

	Year ended 31 December 2020				
	Corporate banking	Retail banking	Treasury business	Others	Total
Operating income					
External net interest income/(expense)	15,404,227	(6,366,775)	5,520,909	–	14,558,361
Internal net interest (expense)/income	(3,904,432)	7,924,102	(4,019,670)	–	–
Net interest income	11,499,795	1,557,327	1,501,239	–	14,558,361
Net fee and commission income/(expense)	534,721	157,254	(3,097)	–	688,878
Net trading losses	–	–	(3,133,781)	–	(3,133,781)
Net gains arising from investments	–	–	1,590,757	1,440	1,592,197
Net foreign exchange (losses)/gains	(35,215)	–	2,436,074	–	2,400,859
Other operating income	9,112	441	–	150,746	160,299
Operating income	12,008,413	1,715,022	2,391,192	152,186	16,266,813
Operating expenses	(3,643,822)	(1,058,308)	(332,729)	(15,227)	(5,050,086)
Impairment losses on assets	(7,706,739)	(373,795)	(2,544,829)	–	(10,625,363)
Profit before tax	657,852	282,919	(486,366)	136,959	591,364
Other segment information					
– Depreciation and amortisation	463,507	138,196	11,053	–	612,756
– Capital expenditure	477,311	142,312	11,383	–	631,006



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others (Continued)

	31 December 2020				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	530,669,409	89,755,031	412,010,656	–	1,032,435,096
Deferred tax assets					<u>5,523,279</u>
Total assets					<u><u>1,037,958,375</u></u>
Segment liabilities/total liabilities	<u>330,376,409</u>	<u>372,260,118</u>	<u>255,103,636</u>	<u>171,663</u>	<u>957,911,826</u>
Credit commitments	<u>141,196,091</u>	<u>15,383,277</u>	<u>–</u>	<u>–</u>	<u>156,579,368</u>



38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others (Continued)

	Year ended 31 December 2019				Total
	Corporate banking	Retail banking	Treasury business	Others	
Operating income					
External net interest income/(expense)	12,143,578	(3,772,591)	7,978,865	–	16,349,852
Internal net interest (expense)/income	(526,342)	5,505,150	(4,978,808)	–	–
Net interest income	11,617,236	1,732,559	3,000,057	–	16,349,852
Net fee and commission income/(expense)	666,031	512,529	(23,124)	–	1,155,436
Net trading gains	–	–	768,010	–	768,010
Net gains arising from investments	–	–	4,312,876	1,200	4,314,076
Net foreign exchange losses	(1,557)	–	(1,605,259)	–	(1,606,816)
Other operating income	10,244	1,002	–	15,463	26,709
Operating income	12,291,954	2,246,090	6,452,560	16,663	21,007,267
Operating expenses	(3,279,316)	(937,671)	(405,628)	(8,750)	(4,631,365)
Impairment losses on assets	(9,257,567)	(1,230,064)	254,431	–	(10,233,200)
Profit before tax	(244,929)	78,355	6,301,363	7,913	6,142,702
Other segment information					
– Depreciation and amortisation	445,579	134,910	13,209	–	593,698
– Capital expenditure	713,342	215,983	21,147	–	950,472



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

38 SEGMENT REPORTING (CONTINUED)

(a) Business Segment (Continued)

Others (Continued)

	31 December 2019				
	Corporate banking	Retail banking	Treasury business	Others	Total
Segment assets	451,258,537	67,967,756	498,124,927	–	1,017,351,220
Deferred tax assets					4,129,576
Total assets					1,021,480,796
Segment liabilities/total liabilities	439,629,918	222,615,326	279,769,841	343,726	942,358,811
Credit commitments	168,023,972	6,897,886	–	–	174,921,858

(b) Geographical information

The Group operates principally in mainland China with eighteen branches located in five provinces and municipalities directly under the central government, and seven subsidiaries located in Shenyang of Liaoning Province, Baoshan of Shanghai and Ningbo of Zhejiang Province respectively.

In presenting of geographical information, non-current assets are allocated based on the geographical location of the underlying assets. Operating income is allocated based on the location of the Group's entities which generate income. Geographical areas, as defined for management reporting purposes, are as follows:

- “Northeast China” refers to headquarter and the following areas serviced by subsidiaries and branches of the Bank: Shenyang, Changchun, Dalian, Anshan, Benxi, Jinzhou, Yingkou, Huludao, Panjin, Chaoyang, Fushun, Fuxin, Dandong, Liaoyang, Tieling, Shenyang Xinmin, Shenyang Shenbei, Shenyang Faku, Shenyang Liaozhong and Shengjing Consumer;
- “North China” refers to the following areas serviced by branches of the Bank: Beijing and Tianjin;
- “Others” refers to the following areas serviced by subsidiaries and branches of the Bank: Shanghai, Shanghai Baoshan, and Ningbo Jiangbei.



38 SEGMENT REPORTING (CONTINUED)

(b) Geographical information (Continued)

	Operating income	
	2020	2019
North east China	15,039,278	18,853,579
North China	651,384	1,351,132
Others	576,151	802,556
Total	16,266,813	21,007,267

	Non-current assets (Note i)	
	31 December 2020	31 December 2019
North east China	6,314,658	6,315,864
North China	246,040	281,612
Others	42,421	37,864
Total	6,603,119	6,635,340

Note:

- (i) Non-current assets include property and equipment, intangible assets, right-of-use assets and land use rights.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT

The Group is primarily exposed to credit, interest rate, currency and liquidity risks from its use of financial instruments in the normal course of the Group's operations. This note mainly presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and minimise potential adverse effects.

The Board of Directors (the "Board") is the highest decision-making authority within the Bank in terms of risk management and oversees the Group's risk management functions through Risk Control and Consumer Rights Protection Committee. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

Senior management is the highest execution level in the risk management structure and reports directly to the Risk Control and Consumer Rights Protection Committee of the Board. Based on the risk management strategies determined by the Board, senior management is responsible for formulating and implementing risk management policies and systems, as well as supervising, identifying and controlling the risks that various businesses are exposed to.

(a) Credit risk

Credit risk represents the potential loss that may arise from the failure of a debtor or counterparty to meet its contractual obligation or commitment to the Group. It arises primarily from credit and debt investments portfolios and guarantees granted.

Credit business

The Board is responsible for setting the Group's risk management strategy and the overall risk tolerance level. The Board also monitors the Group's risk management process and regularly assesses the Group's risk position and risk management strategies, ensures that all kinds of credit risk in various businesses are properly identified, assessed, calculated and monitored. The Risk Management Department and the Credit Approval Department are responsible for credit risk management. Front-office departments such as the Corporate Banking Department, the Retail Banking Department, the Investment Banking Department and the Financial Institutions Department carry out credit businesses according to the Group's risk management policies and procedures.



39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit business (Continued)

Based on whether there is significant increase in credit risk and whether the asset has suffered credit impairment, the Group measures provision for loss of different assets with 12-month ECL or lifetime ECL respectively. The expected credit loss is the result of the discounted product of probability of default (PD), exposure at default (EAD) and loss given default (LGD). The definitions of these terms are as follows:

- Probability of default (PD) refers to the likelihood that a borrower will be unable to meet his repayment obligations over the next 12 months or the remaining lifetime of the loan.
- Exposure at default (EAD) is the amount that the Group should be reimbursed upon default of an obligor over the next 12 months or the remaining lifetime of the loan.
- Loss given default (LGD) refers to the expected degree of loss arising from the exposure at default which is predicted by the Group. Loss given default varies due to different types of counterparties, methods and priority of recovering debts, and the availability of collaterals or other credit support.

The Group determines the expected credit losses by estimating the PD, LGD and EAD of individual exposure or asset portfolios in the future years. The Group multiplies these three parameters and makes adjustments according to the probability of their continuance (i.e. there is no prepayment or default at an earlier period). By adopting this approach, the Group can calculate the expected credit losses for the future years. The results of calculation for each year are then discounted to the balance sheet date and added up. The discount rate used in the calculation of ECL is the initial effective interest rate or its approximate value.

The lifetime probability of default is to deduce the marginal probability of default by using supervisory formula or conditional probability formula.

The 12-month EAD and lifetime EAD are determined based on expected repayment arrangements, which are different due to different types of products.

- In respect of the financial assets with instalment repayments and bullet repayment, the Group determines 12-month or lifetime EAD according to the repayment schedule agreed in the contract, and makes adjustment based on prediction of over-limit repayment and prepayments/refinancing made by the borrower.
- As to the off-balance sheet credit commitments, the parameter of EAD is calculated using the current exposure method, and obtained from multiplying the nominal amount of the off-balance sheet items on the balance sheet date by the credit conversion factor (CCF).
- The Group determines the 12-month loss given default (LGD) and lifetime LGD based on the factors that affects post-default recovery. LGD for different product types are different.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Credit business (Continued)

- As to financial assets classified as guarantees, the Group determines the loss given default (LGD) according to the types of collaterals and their expected value, the discount rate at the compulsory sale, the recovery time and the estimated recovery cost.
- As to credit-based financial assets, the Group usually determines loss given default (LGD) in the product level due to the limited differences in recoverable amounts from different borrowers.

Forward-looking economic information should be considered when determining the 12-month and lifetime probability of default, exposure at default and loss given default.

The Group quarterly monitors and reviews assumptions related to the calculation of expected credit losses, including the changes in PD and the value of collaterals under the different time limits.

Forward-looking information included in the expected credit loss model is as follows:

- Both the assessment of significant increase in credit risk and the measurement of expected credit losses involve forward-looking information. Based on the analysis on historical data, the Group identified critical economic indicators that affect the credit risk and expected credit losses of all asset portfolios, including gross domestic product (GDP), consumer price index (CPI), and producer price index (PPI), etc. The Group identified the relations between these economic indicators and the probability of default historically by conducting regression analysis, and identified the expected probability of default by predicting the future economic indicators.
- When judging whether there is significant increase in credit risk, the Group multiplies the lifetime PD at the benchmark and under other scenarios by the weight of the scenarios, and considers the qualitative and maximum indicators. The Group measures relevant provision for loss by the weighted 12-month ECL (for stage 1) or the weighted lifetime ECL (for stage 2 and stage 3). The above weighted credit losses are calculated from multiplying the ECL under the different scenarios by the weight of the corresponding scenarios.
- Similar to other economic forecasts, there is highly inherent uncertainty in the assessment of estimated economic indicators and the probability of occurrence, and therefore, the actual results may be materially different from the forecasts. The Group believes that these forecasts reflect the Group's best estimate of possible outcomes.
- Other forward-looking factors not incorporated in above scenarios, such as the impact of regulatory and legal changes, have also been taken into account. However, they were not considered to have significant impact, and the expected credit losses were not adjusted accordingly. The Group reviews and monitors the appropriateness of the above assumptions on a quarterly basis.



39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Treasury Business

The Group's treasury business are exposed to the credit risk associated with the investment business and inter-bank business. The Group manages the credit risk exposures by setting credit limits to the internal credit ratings of its treasury business. Credit risk exposure is closely monitored on a systematic, real-time basis, and credit risk limits are reviewed and updated regularly.

(i) *Maximum credit risk exposure*

The maximum exposure to credit risk is represented by the carrying amount of each type of financial assets as at the end of the reporting period. The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 41(a).

(ii) *Loans and advances to customers*

Loans and advances to customers were analysed as follows as at 31 December 2020:

	31 December 2020	31 December 2019
Gross balance of loans and advances to customers		
– ECL over the next 12 months	503,677,602	431,583,015
– Lifetime ECL - not credit-impaired loans	25,555,014	7,080,721
– Lifetime ECL - credit-impaired loans	17,829,941	18,538,639
	<u>547,062,557</u>	<u>457,202,375</u>
Add: Interest receivable		
– ECL over the next 12 months	6,985,114	1,872,773
– Lifetime ECL - not credit-impaired loans	975,344	179,543
	<u>7,960,458</u>	<u>2,052,316</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(7,337,769)	(5,480,833)
– Lifetime ECL - not credit-impaired loans	(6,987,110)	(1,429,810)
– Lifetime ECL - credit-impaired loans	(6,010,909)	(5,968,527)
	<u>(20,335,788)</u>	<u>(12,879,170)</u>
Net balance		
– ECL over the next 12 months	503,324,947	427,974,955
– Lifetime ECL - not credit-impaired loans	19,543,248	5,830,454
– Lifetime ECL - credit-impaired loans	11,819,032	12,570,112
	<u>534,687,227</u>	<u>446,375,521</u>



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Treasury Business (Continued)(ii) *Loans and advances to customers (Continued)*

(1) ECL over the next 12 months loans

	31 December 2020	31 December 2019
Corporate loans and advances	427,294,550	374,698,036
Personal loans and advances	76,383,052	56,884,979
Total gross balance	503,677,602	431,583,015

(2) Lifetime ECL - not credit-impaired loans

	31 December 2020			
	Not overdue	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	17,922,039	525,830	6,836,211	25,284,080
Personal loans and advances	–	50,608	220,326	270,934
Total gross balance	17,922,039	576,438	7,056,537	25,555,014

	31 December 2019			
	Not overdue	Less than 1 month (inclusive)	1 to 3 months (inclusive)	Total
Corporate loans and advances	2,084,856	580,132	4,296,895	6,961,883
Personal loans and advances	68	23,831	94,939	118,838
Total gross balance	2,084,924	603,963	4,391,834	7,080,721



39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Treasury Business (Continued)

(ii) *Loans and advances to customers (Continued)*

(2) Lifetime ECL - not credit-impaired loans (Continued)

Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired was analysed as follows:

	31 December 2020	31 December 2019
Fair value of collateral held against loans and advances which was lifetime ECL but not credit-impaired	10,746,256	7,796,112

The above collaterals mainly include land, buildings, machinery and equipment, etc. The fair value of collaterals were estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.

(3) Lifetime ECL - credit-impaired loans

	31 December 2020	31 December 2019
Corporate loans and advances	17,025,760	18,030,192
Personal loans and advances	804,181	508,447
Total gross balance	17,829,941	18,538,639
% of total loans and advances	3.26%	4.05%
Allowance for impairment losses		
– Corporate loans and advances	5,476,895	5,668,384
– Personal loans and advances	534,014	300,143
Total	6,010,909	5,968,527
Fair value of collateral held against credit-impaired loans and advances	36,976,382	21,052,014

The above collateral mainly included land, buildings, machinery and equipment, etc. The fair value of collateral was estimated by the Group based on the latest external valuations available, adjusted in light of disposal experience and current market conditions.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Treasury Business (Continued)

(iii) Amounts due from banks and other financial institutions

The Group adopts an internal credit rating approach in managing the credit risk of amounts due from banks and other financial institutions. The distribution according to the credit rating of amounts due from banks and non-bank financial institutions (including deposits with banks and other financial institutions, placements with banks and other financial institutions, and financial assets held under resale agreements for which counterparties are banks and non-bank financial institutions) is as follows:

	31 December 2020	31 December 2019
Carrying amount		
– grade A to AAA	18,967,194	38,135,771
– grade B to BBB	4,913,960	36,630
– grade C to CCC	1,146,777	1,146,777
– unrated (Note (i))	17,248,819	8,790,163
Subtotal	42,276,750	48,109,341
Add: interest receivable	34,727	39,202
Less: provision for impairment losses	(647,701)	(131,938)
Total	41,663,776	48,016,605

Note:

- (i) The unrated amount pledged by government debt securities or policy banks debt securities is 16,317 million (2019: 8,573 million).

(iv) Debt securities investments

The credit risk of debt securities investments mainly arises from the risk that the issuer might default on a payment or go into liquidation. Debt securities investments by different types of issuers are generally subject to different degrees of credit risk.



39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Treasury Business (Continued)

(iv) Debt securities investments (Continued)

The following tables present an analysis of the Group's total credit risk exposures of debt securities investments by types of issuers:

	31 December 2020	31 December 2019
Gross balance of debt securities investments		
– ECL over the next 12 months		
– Government	78,673,077	68,376,387
– Policy banks	85,439,498	88,802,787
– Banks and other financial institutions	3,445,186	3,101,708
– Corporate	3,279,283	5,058,261
– Lifetime ECL-credit-impaired		
– Corporate	1,469,745	–
Subtotal	172,306,789	165,339,143
Less: allowance for impairment losses		
– ECL over the next 12 months	(6,998)	(11,532)
– Lifetime ECL-credit-impaired	(641,840)	–
Subtotal	(648,838)	(11,532)
Net balance		
– ECL over the next 12 months	170,830,046	165,327,611
– Life time ECL-credit-impaired	827,905	–
Total	171,657,951	165,327,611



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Treasury Business (Continued)(v) *Financial assets measured at amortised cost*

	31 December 2020	31 December 2019
Gross balance of financial assets measured at amortised cost		
– ECL over the next 12 months	221,339,611	219,948,608
– Lifetime ECL – not credit-impaired investments	1,200,000	1,200,000
– Lifetime ECL – credit-impaired investments	6,375,045	5,098,668
	<u>228,914,656</u>	<u>226,247,276</u>
Add: Interest receivable	<u>3,725,514</u>	<u>3,126,235</u>
Less: allowance for impairment losses		
– ECL over the next 12 months	(1,640,198)	(828,138)
– Lifetime ECL – not credit-impaired investments	(151,576)	(165,454)
– Lifetime ECL – credit-impaired investments	(1,621,314)	(1,030,953)
	<u>(3,413,088)</u>	<u>(2,024,545)</u>
Net balance		
– ECL over the next 12 months	223,424,927	222,246,705
– Lifetime ECL – not credit-impaired investments	1,048,424	1,034,546
– Lifetime ECL – credit-impaired investments	4,753,731	4,067,715
	<u>229,227,082</u>	<u>227,348,966</u>



39 RISK MANAGEMENT (CONTINUED)

(b) Market risk

Market risk is the risk of loss, in respect of the Group's activities, arising from adverse movements in market rates including interest rates, exchange rates, commodity prices, stock prices and other prices. The market risk management aims to manage and monitor market risk, control the potential losses associated with market risk within the acceptable limit and maximise the risk-adjusted income.

The Board is responsible for approving the market risk management strategies and policies, determining the acceptable level of market risk and authorising the Risk Control and Consumer Interest Protection Committee to supervise the market risk management conducted by the senior management. The Asset and Liability Management Department of the Bank is responsible for identifying, measuring, monitoring and reporting the market risk of the various business lines, providing various data on market risks and other technical support. The Risk Management Department is responsible for overall market risk management.

The Group employed sensitivity analysis, interest repricing gap analysis, foreign currency gap analysis, stress testing and effective duration analysis to measure and monitor the market risk.

Sensitivity analysis is a technique which assesses the sensitivity of the Group's overall risk profile and its risk profile with reference to the interest rate risks for different maturities.

Interest repricing gap analysis is a technique which estimates the impact of interest rate movements on the Group's current profit or loss. It is used to work out the gap between future cash inflows and outflows by categorising each of the Group's interest-bearing assets and interest-taking liabilities into different periods based on repricing dates.

Foreign currency gap analysis is a technique which estimates the impact of foreign exchange rate movements on the Group's current profit or loss. The foreign currency gap mainly arises from the currency mismatch in the Group's on/off-balance sheet items.

The results of stress testing are assessed against a set of forward-looking scenarios using stress moves in market variables. The results are used to estimate the impact on profit or loss.

Effective duration analysis is a technique which estimates the impact of interest rate movements by giving a weight to each period's exposure according to its sensitivity, calculating the weighted exposure, and summarising all periods' weighted exposures to estimate the non-linear impact of a change in interest rates on the Group's economic value.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk

The Group is primarily exposed to interest rate risk arising from repricing risk in its commercial banking business and the risk of treasury position.

(1) Repricing risk

Repricing risk, which is also known as “maturity mismatch risk”, is the most common form of interest rate risk. It is caused by the differences in timing between the maturities (related to fixed interest instruments) or repricing (related to floating interest instruments) of assets, liabilities and off-balance sheet items. The mismatch of repricing timing causes the Group’s income or its inherent economic value to vary with the movement in interest rates.

The Capital Operation Center is responsible for identifying, measuring, monitoring and managing interest rate risk. The Group regularly performs assessment on the interest rate repricing gap between the assets and liabilities that are sensitive to changes in interest rates and sensitivity analysis on the net interest income as a result of changes in interest rates. The primary objective of interest rate risk management is to minimise potential adverse effects on its net interest income or its inherent economic value caused by interest rate volatility.



39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

The following tables indicate the assets and liabilities analysis as at the end of the reporting period by the expected next repricing dates or by maturity dates, depending on which is earlier:

	31 December 2020					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with Central Bank	78,505,916	1,187,264	77,318,652	–	–	–
Deposits with banks and other financial institutions	15,194,344	33,265	15,161,079	–	–	–
Placements with banks and other financial institutions	4,350,087	150,629	4,199,458	–	–	–
Financial assets held under resale agreements	22,119,345	833	22,118,512	–	–	–
Loans and advances to customers/(Note (i))	534,687,227	7,960,458	117,056,619	153,147,676	189,911,941	66,610,533
Financial investments/(Note (ii))	358,044,952	9,722,360	72,318,815	84,984,947	99,590,201	91,428,629
Others	25,056,504	23,951,630	205,325	502,962	394,851	1,736
Total assets	1,037,958,375	43,006,439	308,378,460	238,635,585	289,896,993	158,040,898
Liabilities						
Borrowings from Central Bank	(2,815,363)	(47,120)	(6,200)	(2,762,043)	–	–
Deposits from banks and other financial institutions	(90,792,706)	(320,973)	(80,556,773)	(9,914,960)	–	–
Placements from banks and other financial institutions	(4,984,505)	(60,464)	(2,624,201)	(2,299,840)	–	–
Financial assets sold under repurchase agreements	(89,672,253)	(57,415)	(83,832,133)	(5,782,705)	–	–
Deposits from customers	(697,363,902)	(15,959,155)	(181,828,586)	(116,080,529)	(213,326,699)	(170,168,933)
Debt securities issued	(45,262,637)	(340,079)	(8,814,361)	(30,108,197)	–	(6,000,000)
Others	(27,020,460)	(4,030,607)	(4,593,457)	(18,038,597)	(356,065)	(1,734)
Total liabilities	(957,911,826)	(20,815,813)	(362,255,711)	(184,986,871)	(213,682,764)	(176,170,667)
Asset-liability gap	80,046,549	22,190,626	(53,877,251)	53,648,714	76,214,229	(18,129,769)



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

	31 December 2019					
	Total	Non-interest bearing	Less than three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years
Assets						
Cash and deposits with Central Bank	90,533,151	989,841	89,543,310	–	–	–
Deposits with banks and other financial institutions	21,104,213	31,794	20,531,178	541,241	–	–
Placements with banks and other financial institutions	8,198,954	651	8,198,303	–	–	–
Financial assets held under resale agreements	18,713,438	6,757	18,252,088	454,593	–	–
Loans and advances to customers (Note (ii))	446,375,521	2,052,316	252,220,027	92,996,347	62,938,682	36,168,149
Financial investments (Note (iii))	417,492,192	9,137,581	120,529,389	73,691,883	126,872,140	87,261,199
Others	19,063,327	15,683,654	533,529	2,467,237	377,751	1,156
Total assets	1,021,480,796	27,902,594	509,807,824	170,151,301	190,188,573	123,430,504
Liabilities						
Borrowings from Central Bank	(6,793,977)	(93,977)	–	(6,700,000)	–	–
Deposits from banks and other financial institutions	(96,837,332)	(383,103)	(70,547,561)	(25,906,668)	–	–
Placements from banks and other financial institutions	(6,589,301)	(30,937)	(5,270,007)	(1,288,357)	–	–
Financial assets sold under repurchase agreements	(60,117,133)	(69,887)	(59,845,204)	(202,042)	–	–
Deposits from customers	(655,070,994)	(13,642,803)	(304,847,230)	(79,442,070)	(257,138,882)	(9)
Debt securities issued	(80,993,054)	(364,287)	(25,838,763)	(9,890,004)	(28,900,000)	(16,000,000)
Others	(35,957,020)	(8,741,671)	(3,702,662)	(23,174,279)	(337,252)	(1,156)
Total liabilities	(942,358,811)	(23,326,665)	(470,051,427)	(146,603,420)	(286,376,134)	(16,001,165)
Asset-liability gap	79,121,985	4,575,929	39,756,397	23,547,881	(96,187,561)	107,429,339



39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(1) Repricing risk (Continued)

Notes:

- (i) For the Group's loans and advances to customers, the category "Less than three months (inclusive)" as at 31 December 2020 included overdue amounts (net of provision for impairment losses) of RMB13,933 million (31 December 2019: RMB17,902 million).
- (ii) As at 31 December 2020, financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.
- (iii) As at 31 December 2019, financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.

(2) Interest rate sensitivity analysis

	31 December 2020 Increase/(decrease)	31 December 2019 Increase/(decrease)
Change in profit after taxation		
Up 100 bps parallel shift in yield curves	(217,798)	289,700
Down 100 bps parallel shift in yield curves	217,798	(289,700)
Change in equity		
Up 100 bps parallel shift in yield curves	(1,715,857)	(897,845)
Down 100 bps parallel shift in yield curves	1,892,907	1,004,166



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Interest rate risk (Continued)

(2) Interest rate sensitivity analysis (Continued)

The sensitivity analysis above is based on simplified scenarios. This analysis measures only the impact of changes in interest rates within one year, showing how annualised net profit or loss and equity would have been affected by repricing of the Group's assets and liabilities within the one-year period. The sensitivity analysis is based on the following assumptions:

- Interest rate movements apply to all financial instruments of the Group;
- An interest rate movement of one hundred basis points is based on the assumption of interest rates movement over the next 12 months;
- All assets and liabilities that reprice or mature within three months and after three months but within one year reprice or mature in the mid of the respective periods;
- 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 Group's profit or loss and equity caused by an increase or decrease in interest rates might vary from the estimated results of this sensitivity analysis.



39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk

The Group's currency risk mainly arises from foreign currency loans and deposits from customers. The Group manages currency risk by matching its foreign currency denominated assets with corresponding liabilities in the same currencies.

The Group's currency exposures as at the end of the reporting period are as follows:

	31 December 2020			
	RMB	USD	Others	Total
	(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
Assets				
Cash and deposits with Central Bank	78,171,097	311,703	23,116	78,505,916
Deposits with banks and other financial institutions	3,846,205	5,744,061	5,604,078	15,194,344
Placements with banks and other financial institutions	4,350,087	–	–	4,350,087
Financial assets held under resale agreements	22,119,345	–	–	22,119,345
Loans and advances to customers	532,475,697	1,665,702	545,828	534,687,227
Financial investments (Note (i))	358,044,952	–	–	358,044,952
Others	20,890,361	4,029,174	136,969	25,056,504
Total assets	1,019,897,744	11,750,640	6,309,991	1,037,958,375
Liabilities				
Borrowings from Central Bank	(2,815,363)	–	–	(2,815,363)
Deposits from banks and other financial institutions	(86,975,639)	(3,817,067)	–	(90,792,706)
Placements from banks and other financial institutions	(4,118,303)	(815,613)	(50,589)	(4,984,505)
Financial assets sold under repurchase agreements	(89,672,253)	–	–	(89,672,253)
Deposits from customers	(689,421,864)	(7,831,982)	(110,056)	(697,363,902)
Debt securities issued	(45,262,637)	–	–	(45,262,637)
Others	(20,713,071)	(179,333)	(6,128,056)	(27,020,460)
Total liabilities	(938,979,130)	(12,643,995)	(6,288,701)	(957,911,826)
Net position	80,918,614	(893,355)	21,290	80,046,549
Off-balance sheet credit commitments	149,378,891	6,212,478	987,999	156,579,368



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	31 December 2019			
	RMB	USD	Others	Total
	(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)	(RMB Equivalent)
Assets				
Cash and deposits with Central Bank	90,151,256	339,560	42,335	90,533,151
Deposits with banks and other financial institutions	12,880,457	2,204,316	6,019,440	21,104,213
Placements with banks and other financial institutions	8,198,954	–	–	8,198,954
Financial assets held under resale agreements	18,713,438	–	–	18,713,438
Loans and advances to customers	444,307,517	1,576,314	491,690	446,375,521
Financial investments (Note (i))	417,492,192	–	–	417,492,192
Others	16,744,132	1,612,981	706,214	19,063,327
Total assets	1,008,487,946	5,733,171	7,259,679	1,021,480,796
Liabilities				
Borrowings from Central Bank	(6,793,977)	–	–	(6,793,977)
Deposits from banks and other financial institutions	(93,767,757)	(3,069,528)	(47)	(96,837,332)
Placements from banks and other financial institutions	(4,117,937)	(2,471,364)	–	(6,589,301)
Financial assets sold under repurchase agreements	(60,117,133)	–	–	(60,117,133)
Deposits from customers	(649,298,276)	(5,005,106)	(767,612)	(655,070,994)
Debt securities issued	(80,993,054)	–	–	(80,993,054)
Others	(30,153,614)	(135,009)	(5,668,397)	(35,957,020)
Total liabilities	(925,241,748)	(10,681,007)	(6,436,056)	(942,358,811)
Net position	83,246,198	(4,947,836)	823,623	79,121,985
Off-balance sheet credit commitments	169,370,110	4,283,805	1,267,943	174,921,858

Note:

- (i) Financial investments include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and financial assets measured at amortised cost.



39 RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(ii) Currency risk (Continued)

	31 December 2020 Increase/(decrease)	31 December 2019 Increase/(decrease)
Change in profit after taxation and equity		
Up 100 bps parallel shift in yield curves	(1,002)	(4,434)
Down 100 bps parallel shift in yield curves	1,002	4,434

The sensitivity analysis mentioned above is based on a static foreign exchange exposure profile of assets and liabilities and certain simplified assumptions as set out below:

- The foreign exchange sensitivity is the gain and loss recognised as a result of one hundred basis points fluctuation in the foreign currency exchange rates against RMB;
- The fluctuation of exchange rates by one hundred basis points is based on the assumption of exchange rates movement over the next 12 months;
- The exchange rates against RMB for the US dollars and other foreign currencies change in the same direction simultaneously, and thus other foreign currencies are converted into US dollars through sensitivity analysis;
- Other variables (including interest rates) remain unchanged; and
- The analysis does not take into account the effect of risk management measures taken by the Group.

Due to the assumptions adopted, actual changes in the Group's profit or loss and equity resulting from the increase or decrease in foreign exchange rates may vary from the estimated results of this sensitivity analysis.

(c) Liquidity risk

Liquidity risk is the risk that a commercial bank is unable to obtain funds on a timely basis or obtain funds at a reasonable cost to meet repayment obligations or sustain its asset business. This risk exists even if a bank's solvency remains strong.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

The Group centrally manages the Bank's liquidity risk at the head office through a liquidity risk governance structure consisting of Board of Directors, Board of Supervisors, senior management, as well as the liquidity risk management structure consisting of the Asset and Liability Management Committee, Asset and Liability Management Department and Risk Management Department at the head office:

- The Asset and Liability Management Committee is the Bank's liquidity risk management body that is responsible for developing, and regularly assessing and monitoring the implementation of liquidity risk management policies and measures;
- As the leading department in liquidity risk management, the Asset and Liability Management Department is responsible for developing and implementing the relevant system; identifying, measuring and monitoring the liquidity risk and the implementation of limitations; performing stress testing, risk analysis and reporting; as well as organizing the daily management of the liquidity risk by business departments ;
- The Risk Management Department includes liquidity risk in a comprehensive risk management system, initiates ideas on limitation management of the liquidity risk, and arranges for performance evaluation.

The Group manages liquidity risk by managing the term structure of assets and liabilities, as well as dynamically monitoring liquidity indicators such as loan-to-deposit ratio, liquidity ratio, liquidity coverage ratio, excess reserves ratio, inter-bank loan to saving ratio, credit quality ratio, liquidity gap ratio, etc. The Group forecasts liquidity weekly, analyses liquidity monthly, and performs stress testing of liquidity risk quarterly.

The Group also formulates liquidity risk emergency plan to ensure sufficient liquidity under various market conditions.

A substantial portion of the Group's assets are funded by deposits from customers. These deposits from customers, which have been growing in recent years, are widely diversified in terms of type and duration and represent a major source of funds.



39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis

The following tables provide an analysis of assets and liabilities of the Group into relevant maturity groupings based on the remaining periods to repayment at the end of the reporting period:

	31 December 2020							
	Indefinite (Note(i))	Repayable on demand (Note(ii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	Total
Assets								
Cash and deposits with Central Bank	68,244,016	10,261,900	–	–	–	–	–	78,505,916
Deposits with banks and other financial institutions	654,435	11,370,646	1,019,908	2,149,355	–	–	–	15,194,344
Placements with banks and other financial institutions	153,574	–	4,196,513	–	–	–	–	4,350,087
Financial assets held under resale agreements	–	–	22,119,345	–	–	–	–	22,119,345
Loans and advances to customers	16,886,552	3,247,514	14,616,850	82,967,827	156,336,398	194,019,219	66,612,867	534,687,227
Financial investments (Note (i))	10,985,267	–	16,565,407	13,557,534	85,370,244	102,910,397	128,656,103	358,044,952
Others	13,963,042	627,226	8,267,393	190,610	1,611,646	394,851	1,736	25,056,504
Total assets	110,886,886	25,507,286	66,785,416	98,865,326	243,318,288	297,324,467	195,270,706	1,037,958,375
Liabilities								
Borrowings from Central Bank	–	–	–	(6,305)	(2,809,058)	–	–	(2,815,363)
Deposits from banks and other financial institutions	–	(23,022,870)	(47,152,267)	(10,667,522)	(9,950,047)	–	–	(90,792,706)
Placements from banks and other financial institutions	–	–	(2,243,430)	(389,195)	(2,351,880)	–	–	(4,984,505)
Financial assets sold under repurchase agreements	–	–	(73,018,276)	(10,867,567)	(5,786,410)	–	–	(89,672,253)
Deposits from customers	–	(177,685,491)	(3,127,011)	(1,069,384)	(118,781,689)	(222,355,568)	(174,344,759)	(697,363,902)
Debt securities issued	–	–	(3,379,225)	(5,774,231)	(30,109,181)	–	(6,000,000)	(45,262,637)
Others	–	(2,171,191)	(862,942)	(4,945,635)	(18,160,096)	(671,469)	(209,127)	(27,020,460)
Total liabilities	–	(202,879,552)	(129,783,151)	(33,719,839)	(187,948,361)	(223,027,037)	(180,553,886)	(957,911,826)
Long/(short) position	110,886,886	(177,372,266)	(62,997,735)	65,145,487	55,369,927	74,297,430	14,716,820	80,046,549
Notional amount of derivatives	–	–	27,807,700	42,120,675	105,354,093	50,758,748	100,000	226,141,216



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) Maturity analysis (Continued)

	31 December 2019							
	Indefinite (Note (ii))	Repayable on demand (Note (iii))	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years	Total
Assets								
Cash and deposits with Central Bank	61,122,260	29,330,142	–	–	80,749	–	–	90,533,151
Deposits with banks and other financial institutions	–	17,078,030	3,251,044	233,081	542,058	–	–	21,104,213
Placements with banks and other financial institutions	–	–	8,198,954	–	–	–	–	8,198,954
Financial assets held under resale agreements	–	–	18,023,696	231,212	458,530	–	–	18,713,438
Loans and advances to customers	15,874,038	5,458,125	19,554,865	48,622,443	204,564,458	110,767,157	41,534,435	446,375,521
Financial investments (Note (i))	9,693,672	–	6,199,263	67,917,343	71,616,296	133,092,468	128,973,150	417,492,192
Others	12,072,030	320,574	1,838,007	432,548	4,021,261	377,751	1,156	19,063,327
Total assets	98,762,000	52,186,871	57,065,829	117,436,627	281,283,352	244,237,376	170,508,741	1,021,480,796
Liabilities								
Borrowings from Central Bank	–	–	–	–	(6,793,977)	–	–	(6,793,977)
Deposits from banks and other financial institutions	–	(15,713,193)	(33,968,940)	(21,152,695)	(26,002,504)	–	–	(96,837,332)
Placements from banks and other financial institutions	–	–	(3,828,226)	(1,462,528)	(1,298,547)	–	–	(6,589,301)
Financial assets sold under repurchase agreements	–	–	(43,230,494)	(16,684,362)	(202,277)	–	–	(60,117,133)
Deposits from customers	–	(240,515,792)	(27,186,269)	(38,589,573)	(81,390,107)	(267,389,244)	(9)	(655,070,994)
Debt securities issued	–	–	(12,747,177)	(13,095,563)	(10,250,314)	(28,900,000)	(16,000,000)	(80,993,054)
Others	–	(2,312,286)	(4,119,172)	(5,225,519)	(23,385,205)	(672,306)	(242,532)	(35,957,020)
Total liabilities	–	(258,541,271)	(125,080,278)	(96,210,240)	(149,322,931)	(296,961,550)	(16,242,541)	(942,358,811)
Long/(short) position	98,762,000	(206,354,400)	(68,014,449)	21,226,387	131,960,421	(52,724,174)	154,266,200	79,121,985
Notional amount of derivatives	–	–	26,436,988	27,349,043	77,553,474	52,898,354	100,000	184,337,859



39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(i) *Maturity analysis (Continued)*

Notes:

- (i) Financial investments include financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments measured at amortised cost. The “indefinite” period amount represents the balance being credit-impaired or overdue for more than one month, and the balance overdue within one month (inclusive) but not credit-impaired is included in “repayable on demand”.
- (ii) For cash and deposits with Central Bank, the indefinite period amount represents statutory deposit reserves and fiscal deposits maintained with the PBOC. Equity investments are reported under indefinite period. For loans and advances to customers, the “indefinite” period amount represents the balance being impaired or overdue for more than one month, and the balance not impaired but overdue within one month is included in “repayable on demand”.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(ii) Analysis on contractual undiscounted cash flows of non-derivative financial liabilities

The following tables provide an analysis of the contractual undiscounted cash flow of the non-derivative financial liabilities at the end of the reporting period:

	31 December 2020					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from Central Bank	(2,849,148)	–	(6,115)	(2,843,033)	–	–
Deposits from banks and other financial institutions	(90,972,745)	(70,208,628)	(10,704,866)	(10,059,251)	–	–
Placements from banks and other financial institutions	(4,984,505)	(2,243,430)	(389,195)	(2,351,880)	–	–
Financial assets sold under repurchase agreements	(89,867,240)	(73,187,031)	(10,881,118)	(5,799,091)	–	–
Deposits from customers	(697,363,909)	(180,810,432)	(1,723,546)	(118,671,109)	(221,983,775)	(174,175,047)
Debt securities issued	(49,835,077)	(4,547,237)	(5,876,065)	(31,647,775)	(1,176,000)	(6,588,000)
Other financial liabilities	(26,325,892)	(2,995,841)	(4,823,855)	(17,921,343)	(356,269)	(228,584)
Total non-derivative financial liabilities	(962,198,516)	(333,992,599)	(34,404,760)	(189,293,482)	(223,516,044)	(180,991,631)

	31 December 2019					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Borrowings from Central Bank	(6,925,399)	–	–	(6,925,399)	–	–
Deposits from banks and other financial institutions	(97,560,848)	(49,690,017)	(21,284,663)	(26,586,168)	–	–
Placements from banks and other financial institutions	(6,633,776)	(3,832,597)	(1,468,270)	(1,332,909)	–	–
Financial assets sold under repurchase agreements	(60,140,756)	(43,251,729)	(16,686,181)	(202,846)	–	–
Deposits from customers	(681,658,308)	(267,699,410)	(40,431,855)	(82,833,766)	(290,693,268)	(9)
Debt securities issued	(87,953,007)	(12,876,950)	(13,505,035)	(12,328,022)	(31,904,000)	(17,339,000)
Other financial liabilities	(35,351,170)	(6,347,741)	(5,144,948)	(23,206,999)	(381,702)	(269,780)
Total non-derivative financial liabilities	(976,223,264)	(383,698,444)	(98,520,952)	(153,416,109)	(322,978,970)	(17,608,789)

This analysis of the non-derivative financial assets and liabilities by contractual undiscounted cash flow might vary from actual results.

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives

The Group's derivatives that will be settled on a net basis include:

- Interest rate swaps

The Group's derivatives that will be settled on a gross basis include:

- Currency swaps
- Foreign exchange forwards
- Precious metal derivatives

The following tables analyse the Group's contractual undiscounted cash flows of derivative financial instruments to be settled on a net and gross basis as at the end of the reporting period.

	31 December 2020					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Derivatives settled on net basis						
Interest rate swaps	38,762	(12)	(13)	–	38,787	–
Derivatives settled on gross basis						
Currency swaps and foreign exchange forwards						
– cash outflow	(117,262,551)	(16,661,760)	(36,239,246)	(64,349,170)	(12,375)	–
– cash inflow	116,265,134	16,639,639	36,162,008	63,451,112	12,375	–
Precious metal derivatives						
– cash outflow	(21,435,335)	–	(3,252,361)	(18,182,974)	–	–
– cash inflow	21,736,711	–	3,393,560	18,343,151	–	–



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

39 RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (Continued)

(iii) Analysis on contractual undiscounted cash flows of derivatives (Continued)

	31 December 2019					
	Contractual undiscounted cash flow	Within one month (inclusive)	Between one month and three months (inclusive)	Between three months and one year (inclusive)	Between one year and five years (inclusive)	More than five years and indefinite
Derivatives settled on net basis						
Interest rate swaps	40,362	(88)	(5)	(49)	40,504	–
Derivatives settled on gross basis						
Currency swaps and foreign exchange forwards						
– cash outflow	(71,440,771)	(21,176,710)	(17,439,709)	(32,818,233)	(6,119)	–
– cash inflow	69,799,650	21,154,547	16,683,874	31,955,113	6,116	–
Precious metal derivatives						
– cash outflow	(27,448,601)	(382,379)	(3,348,840)	(23,717,382)	–	–
– cash inflow	31,581,398	190,421	3,939,210	27,451,767	–	–

(d) Operational risk

Operational risk refers to the risk of losses associated with internal process deficiencies, personnel mistakes and information system failures, or impact from other external events.

The Group has built “Three Lines of Defense for Risk Management” mainly involving business departments, the Compliance Department and the Internal Audit Department in risk management, and established a reporting mechanism between the Compliance Department and business departments, as well as between the head office and branches.

The Group has formulated operational risk management policies and procedures, aiming to identify, assess, monitor, control and mitigate the operational risk, and reduce losses associated with the operational risk.



39 RISK MANAGEMENT (CONTINUED)

(d) Operational risk (Continued)

The Group's measures to manage the operational risk mainly include:

- establishing and improving the risk management system, strictly separating responsibilities of the front, middle and back office, and optimising business procedures and risk management procedures;
- making use of risk alert system and paying attention to risk position and early risk alert on each aspect of business; updating operational risk guidelines from time to time; carrying out centralised risk management on major business areas so as to reduce business operational risk;
- establishing a supervision system combining "on-site and off-site", "regular and special", "self and external" examinations, identifying, monitoring, collecting risk factors and risk signals in the course of business operations, using centralised operational risk management tools, supervising and evaluating the sufficiency and effectiveness of operational risk management;
- establishing an expertise grade appraisal system for all employees, and selecting qualified employees through strict qualification examination and professional evaluation in accordance with the expertise and skills required by the various positions; and
- establishing a mechanism for emergency management and business continuity.

(e) Capital management

The Group manages capital mainly through capital adequacy ratio and return on equity ratio. Capital adequacy ratio is at the core of the Group's capital management, reflecting capacity of the Group for prudent operation and risk prevention. Return on equity ratio reflects the profitability of equity. The main objective of capital management is to maintain a balanced reasonable capital amount and structure in line with the business development and expected return on equity.

The Group follows the principles below with regard to capital management:

- monitor levels of asset quality based on the Group's business strategy and maintain adequate capital to support the implementation of the Group's strategic development plan and meet the regulatory requirements; and
- effectively identify, quantify, monitor, mitigate and control the major risks to which the Group is exposed, and maintain the appropriate level of capital after considering the Group's risk exposure and risk management needs.

The Group monitors the capital adequacy ratio periodically and adjusts the capital management plan when necessary to ensure the capital adequacy ratio meets both the regulatory requirements and business development demand.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***39 RISK MANAGEMENT (CONTINUED)****(e) Capital management (Continued)**

The Group calculates the capital adequacy ratios as at 31 December 2020 in accordance with the Regulation Governing Capital of Commercial Banks (Provisional) (商業銀行資本管理辦法 (試行)) issued by the former CBRC in 2012 and relevant requirements promulgated by the former CBRC as follows:

	Note	31 December 2020	31 December 2019
Total core tier-one capital			
– Share capital		8,796,680	8,796,680
– Qualifying portion of capital reserve		26,931,360	26,931,360
– Surplus reserve		7,283,589	7,166,927
– General reserve		13,676,444	13,398,535
– Fair value reserve		(633,509)	399,979
– Provision reserve		645,432	8,215
– Retained earnings		22,768,584	21,873,822
– Qualifying portions of non-controlling interests		95,423	83,341
– Others		(16,648)	(19,986)
Core tier-one capital		79,547,355	78,638,873
Core tier-one capital deductions		(254,841)	(192,308)
Net core tier-one capital		79,292,514	78,446,565
Other tier-one capital		–	–
Net tier-one capital		79,292,514	78,446,565
Tier-two capital			
– Qualifying portions of tier-two capital instruments issued		6,000,000	16,000,000
– Surplus provision for loan impairment		2,325,846	4,874,532
Net tier-two capital		8,325,846	20,874,532
Net capital base		87,618,360	99,321,097
Total risk weighted assets	39(e)(i)	716,353,323	683,238,647
Core tier-one capital adequacy ratio		11.07%	11.48%
Tier-one capital adequacy ratio		11.07%	11.48%
Capital adequacy ratio		12.23%	14.54%



39 RISK MANAGEMENT (CONTINUED)

(e) Capital management (Continued)

Notes:

- (i) Both the on-balance and off-balance sheet risk-weighted assets are measured using different risk weights, which are determined according to the credit, market and other risks associated with each asset and counterparty as well as any eligible collateral or guarantees.
- (ii) Pursuant to the Notification on Matters Related to the Implementation of the Regulation Governing Capital of Commercial Banks (Provisional) in the Transitional Period (關於實施《商業銀行資本管理辦法(試行)》過渡期安排相關事項的通知), the former CBRC requires that the capital adequacy ratio, tier-one capital adequacy ratio and core tier-one capital adequacy ratio for commercial banks shall not fall below 10.5%, 8.5% and 7.5% at 31 December 2018.

40 FAIR VALUE

(a) Methods and assumptions for measurement of fair value

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The Group has established policies and internal controls with respect to the measurement of fair values, which specified the framework of fair value measurement of financial instruments, fair value measurement methodologies and procedures.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(a) Methods and assumptions for measurement of fair value (Continued)

The Group adopts the following methods and assumptions when evaluating fair values:

(i) **Debt securities investments**

The fair values of debt securities that are traded in an active market are based on their quoted market prices in an active market at the end of the reporting period.

(ii) **Receivables and other non-derivative financial assets**

Fair values are estimated as the present value of the future cash flows, discounted at the market interest rates at the end of the reporting period.

(iii) **Debt securities issued and other non-derivative financial liabilities**

Fair values of debt securities issued are based on their quoted market prices or the present value of estimated future cash flows. The fair values of other non-derivative financial liabilities are valued at the present value of estimated future cash flows. The discount rates are based on the market interest rates at the end of the reporting period.

(iv) **Derivative financial instruments**

Derivative financial instruments valued using a valuation technique with market observable inputs are mainly interest rate swaps, foreign exchange forwards, swaps and options, etc. The most frequently applied valuation techniques include discounted cash flow model and Black-Scholes model. The models incorporate various inputs including foreign exchange spot and forward rates, foreign exchange rate volatility, interest rate yield curves, etc.



40 FAIR VALUE (CONTINUED)

(b) Financial instruments recorded at fair value

The following tables show an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets				
– currency derivatives	–	153,568	–	153,568
– interest rate swaps	–	399,295	–	399,295
– precious metal derivatives	–	552,009	–	552,009
Financial assets at fair value through profit or loss				
– debt instruments	–	3,074,188	–	3,074,188
– investment funds	36,861,473	–	–	36,861,473
– others	–	–	61,003,811	61,003,811
Financial assets at fair value through other comprehensive income				
– debt instruments	–	23,622,265	–	23,622,265
– equity instruments	156,927	–	4,099,206	4,256,133
Total	37,018,400	27,801,325	65,103,017	129,922,742
Liabilities				
Financial liabilities at fair value through profit or loss	–	(20,959,959)	–	(20,959,959)
Derivative financial liabilities				
– currency derivatives	–	(342,886)	–	(342,886)
– interest rate swaps	–	(360,527)	–	(360,527)
– precious metal derivatives	–	(65,056)	–	(65,056)
Total	–	(21,728,428)	–	(21,728,428)

During the year ended 31 December 2020, there were no significant transfers between instruments in Level 1 and Level 2.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***40 FAIR VALUE (CONTINUED)****(b) Financial instruments recorded at fair value (Continued)**

	31 December 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Derivative financial assets				
– currency derivatives	–	119,680	–	119,680
– interest rate swaps	–	390,678	–	390,678
– precious metal derivatives	–	2,869,317	–	2,869,317
Financial assets at fair value through profit or loss				
– debt instruments	–	3,100,369	–	3,100,369
– investment funds	37,493,234	–	–	37,493,234
– others	–	–	116,098,273	116,098,273
Financial assets at fair value through other comprehensive income				
– debt instruments	–	29,132,932	–	29,132,935
– equity instruments	–	–	4,318,415	4,318,415
Total	37,493,234	35,612,979	120,416,688	193,522,901
Liabilities				
Financial liabilities at fair value through profit or loss	–	(26,520,878)	–	(26,520,878)
Derivative financial liabilities				
– currency derivatives	–	(208,428)	–	(208,428)
– interest rate swaps	–	(350,316)	–	(350,316)
– precious metal derivatives	–	(135,729)	–	(135,729)
Total	–	(27,215,351)	–	(27,215,351)

During the year ended 31 December 2019, there were no significant transfers between instruments in Level 1 and Level 2.



40 FAIR VALUE (CONTINUED)

(c) Level 2 fair value measurement

A majority of the debt instruments classified as level 2 are RMB bonds. The fair value of these bonds are determined based on the valuation results provided by China Central Depository & Clearing Co., Ltd., which are determined based on a valuation technique for which all significant inputs are observable market data. This level also includes a majority of OTC derivative contracts, the most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. Input parameters like ChinaBond interbank yield curves, LIBOR yield curves or counterparty credit risk are sourced from Bloomberg and Reuters. Financial liabilities at fair value through profit or loss mainly includes the financial liabilities related to precious metals, of which the fair value is determined based on the closing price provided by Shanghai Gold Exchange.

(d) Level 3 fair value measurement

As at 31 December 2020 and 2019, unobservable inputs such as discount rate and cash flow were used in the valuation of financial assets at fair value classified as Level 3, which were mainly debts securities issued by banks and other financial institutions, debts securities issued by corporates, wealth management plan, beneficial investment of trust and equity investments. The fair value of these financial assets fluctuates according to the changes in the unobservable inputs.

(e) Fair value of financial assets and liabilities not carried at fair value

- (i) Cash and deposits with Central Bank, deposits and placements with/from banks and other financial institutions, financial assets held under resale agreements and sold under repurchase agreements, borrowings from Central Bank and financial investments measured as amortised cost.

Given that these financial assets and financial liabilities mainly mature within one year or adopt floating interest rates, their carrying amounts approximate their fair value.

(ii) *Loans and advances to customers*

The fair value of loans and advances to customers is estimated based on future cash flows expected to be received which is discounted at current market rates. Majority of the loans and advances to customers are repriced at least annually to the market rate. Accordingly, their carrying values approximate their fair values.

(iii) *Financial assets measured at amortised cost*

The fair values of financial assets measured at amortised cost are estimated on the basis of pricing models or discounted cash flows in the absence of any other relevant observable market data if the market value is not available.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

40 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value (Continued)

(iv) Deposits from customers

The fair value of checking, savings and short-term money market accounts is the amount payable on demand at the end of the reporting period. The fair value of fixed interest-bearing deposits without quoted market prices is estimated based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

(v) Debt securities issued

Fair values of debt securities issued are based on quoted market prices. For debt securities where quoted market prices are not available, a discounted cash flow model is used to calculate their fair value using current market rates appropriate for debt securities with similar remaining maturities.

The following tables summarise the carrying amounts, the fair value and the analysis by level of the fair value hierarchy of financial assets measured at amortised cost and debt securities issued:

	Carrying amount	Fair value	31 December 2020		
			Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	229,227,082	236,900,710	–	149,121,791	87,778,919
Financial liabilities					
Debt securities issued					
– tier two capital bonds and financial bonds	35,240,079	33,924,716	–	33,924,716	–
– certificates of interbank deposit	10,022,558	9,972,983	–	9,972,983	–
Total	45,262,637	43,897,699	–	43,897,699	–



40 FAIR VALUE (CONTINUED)

(e) Fair value of financial assets and liabilities not carried at fair value (Continued)

(v) Debt securities issued (Continued)

	Carrying amount	Fair value	31 December 2019		
			Level 1	Level 2	Level 3
Financial assets					
Financial assets measured at amortised cost	227,348,966	230,444,264	–	136,043,657	94,400,607
Financial liabilities					
Debt securities issued					
– tier two capital bonds and financial bonds	45,264,287	44,613,385	–	44,613,385	–
– certificates of interbank deposit	35,728,767	35,110,869	–	35,110,869	–
Total	80,993,054	79,724,254	–	79,724,254	–

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***41 COMMITMENTS AND CONTINGENT LIABILITIES****(a) Credit commitments**

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

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 its customers. The contractual amounts of credit card commitments represent the amounts should the contracts be fully drawn upon. The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties.

	31 December 2020	31 December 2019
Bank acceptances	112,713,060	146,246,742
Letters of guarantees	15,383,277	6,897,886
Unused credit card commitments	14,610,528	10,617,675
Letters of credit	13,872,503	11,159,555
Total	156,579,368	174,921,858

The Group may be exposed to credit risk in all the above credit businesses. 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) Credit risk-weighted amount

	31 December 2020	31 December 2019
Credit risk-weighted amount of contingent liabilities and commitments	48,514,713	64,396,019

The credit risk weighted amount represents the amount calculated with reference to the guidelines issued by the former CBRC. The risk weights are determined in accordance with the credit status of the counterparties, the maturity profile and other factors. The risk weights range from 0% to 150% for credit commitments.

41 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(c) Capital commitments

As at 31 December 2020 and 2019, the authorised capital commitments of the Group are as follows:

	31 December 2020	31 December 2019
Contracted but not paid for	436,221	450,529
Approved but not contracted for	23,613	3,912
Total	459,834	454,441

(d) Outstanding litigations and disputes

As at 31 December 2020 and 2019, there are no significant legal proceedings outstanding against the Bank and/or its subsidiaries.

(e) Pledged assets

	31 December 2020	31 December 2019
Investment securities	104,523,006	114,300,413
Discounted bills	23,406,284	7,698,929
Total	127,929,290	121,999,342

Some of the Group's assets are pledged as collateral under repurchase agreements and deposits from customers.

The Group maintains statutory deposit reserves with the PBOC as required (Note 14). These deposits are not available for the Group's daily operations.

The Group's pledged assets in relation to the purchase of bills under resale agreements can be sold or repledged. As at 31 December 2020 and 2019, the pledged assets were not sold or repledged, which it has an obligation to repurchase on due.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)***(Expressed in thousands of Renminbi, unless otherwise stated)***42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES****(a) Structured entities sponsored by third party institutions in which the Group holds an interest**

The Group holds an interest in some structured entities sponsored by third party institutions through investments in the notes issued by these structured entities. Such structured entities include investment management products under trust scheme, investment management products managed by securities companies and wealth management products issued by financial institutions. The Group does not consolidate these structured entities. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors and financed through the issue of notes to investors.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at 31 December 2020 and 2019 in the structured entities sponsored by third party institutions, as well as an analysis of the line items in the statement of financial position in which relevant assets are recognised:

	31 December 2020		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	65,268,458	65,268,458	65,268,458
Investment management products under trust scheme	<u>78,562,601</u>	<u>78,562,601</u>	<u>78,562,601</u>
Total	<u>143,831,059</u>	<u>143,831,059</u>	<u>143,831,059</u>



42 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (CONTINUED)

(a) Structured entities sponsored by third party institutions in which the Group holds an interest (Continued)

	31 December 2019		
	Financial investments	Carrying amount	Maximum exposure
Investment management products managed by securities companies	131,976,963	131,976,963	131,976,963
Investment management products under trust scheme	<u>76,775,572</u>	<u>76,775,572</u>	<u>76,775,572</u>
Total	<u><u>208,752,535</u></u>	<u><u>208,752,535</u></u>	<u><u>208,752,535</u></u>

The maximum exposures to loss in the above investment management products and wealth management products are the carrying amounts of the assets held by the Group at the end of the reporting period in accordance with the line items of these assets recognised in the statement of financial position.

(b) Structured entities sponsored by the Group in which the Group does not consolidate but holds an interest

The types of unconsolidated structured entities sponsored by the Group include non-principal-guaranteed wealth management products. The nature and purpose of these structured entities are to generate fees from managing assets on behalf of investors. These structured entities are financed through the issue of notes to investors. Interest held by the Group includes fees charged by providing management services.

During the year ended 31 December 2020, the amount of fee and commission income received from the above mentioned structured entities by the Group is RMB736.56 million (2019: RMB569.75 million).

As at 31 December 2020, the amount of assets held by unconsolidated non-principal-guaranteed wealth management products which are sponsored by the Group is RMB60,745 million (31 December 2019: RMB61,328 million).

During the year ended 31 December 2020, the aggregated amount of non-principal-guaranteed wealth management products sponsored and issued by the Group after 1 January 2020, but matured before 31 December 2020, is RMB31,730 million (2019: RMB41,505 million).



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

43 CONSOLIDATED STRUCTURED ENTITIES

The Group has consolidated certain structured entities which are principal-guaranteed wealth management products. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include scope of the manager's decision-making authority, rights held by other parties. The Group does not hold any shares of the principal-guaranteed wealth management products, however, the Group has the authority to exercise the right of making investment decisions as a main administrator, and the proportion of the aggregate economic interests of the Group in the structured entities is high. The Group concludes that these structured entities shall be consolidated.

As at 31 December 2020, the principal-guaranteed wealth management products managed and consolidated by the Group amounted to nil (31 December 2019: RMB3,238 million). These wealth management products mainly invested in deposits with banks and other financial institutions and debt securities. The financial impact of these principal-guaranteed wealth management product on the Group's financial performance is not significant.

44 FIDUCIARY ACTIVITIES

The Group commonly acts as a trustee, or in other fiduciary capacities, that result in its holding or managing assets on behalf of individuals, trusts and other institutions. These assets and any gains or losses arising thereon are not included in these financial statements as they are not the Group's assets.

As at 31 December 2020, the entrusted loans balance of the Group is RMB1,804 million (31 December 2019: RMB2,415 million).

45 TRANSFERRED FINANCIAL ASSETS

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the transferred credit assets, and retained control of the credit assets, the Group recognises the assets on the statement of financial position in accordance with the Group's continuing involvement and the rest is derecognised. The extent of the Group's continuing involvement is the extent of the risks and rewards undertaken by the Group with value changes of the transferred financial assets. The amount at the time of transfer of the original credit assets, which the Group determined that it has continuing involvement through acquiring some tranches, was RMB3,878 million as at 31 December 2020 (31 December 2019: nil) and the carrying amount of assets that the Group continues to recognise on the statement of financial position was RMB199 million as at 31 December 2020 (31 December 2019: nil).

46 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI and with exposure arising from loan commitments and financial guarantee contracts issued, is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Refer to Note 39(a) for the explanation of the assumptions and estimation used in measuring ECL.

(b) Fair value of financial instruments

There are no quoted prices from an active market for a number of financial instruments. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis, and option pricing models. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. However, it should be noted that some input, such as credit and counterparty risk, and risk correlations require management's estimates. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

(c) Income taxes

Determining income tax provisions involves judgment on the future tax treatment of certain transactions. The Group carefully evaluates the tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account tax legislation. Deferred tax assets are recognised for temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered.



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

46 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(d) Impairment of non-financial assets

Non-financial assets are reviewed regularly to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, an impairment loss is provided.

Since the market price of an asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing the present value of future cash flows, significant judgments are exercised over the asset's, related operating income and expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of related operating income and expenses based on reasonable and supportable assumption.

(e) Depreciation and amortisation

Property and equipment, intangible assets and right-of-use assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual values. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in the reporting period. The estimated useful lives are determined based on historical experiences of similar assets and estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation will be revised.

(f) Consolidation of structured entities

Structured entities are entities that have been designed so that voting or similar rights are not the dominant factor in deciding who controls the entities, for example when any voting rights relate to administrative tasks only, and key activities are directed by contractual agreement.

When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. The Group is deemed to be a principal, and hence controls and consolidates the structured entity, when it acts as manager and cannot be removed without cause, has variable returns through significant unit holdings and/or a guarantee, and is able to influence the returns of the structured entities by exercising its power.



47 BANK-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	31 December 2020	31 December 2019
Assets			
Cash and deposits with Central Bank		78,418,088	90,325,709
Deposits with banks and other financial institutions		14,776,422	23,129,212
Placements with banks and other financial institutions		7,174,066	8,198,922
Derivative financial assets		1,104,872	3,379,675
Financial assets held under resale agreements		22,119,345	18,713,438
Loans and advances to customers		530,836,526	443,267,933
Financial investments:			
Financial assets at fair value through profit or loss		100,939,472	156,691,876
Financial assets at fair value through other comprehensive income		27,878,398	33,451,350
Financial assets measured at amortised cost		229,195,883	227,317,837
Investments in subsidiaries	21	326,157	326,157
Property and equipment		5,674,031	5,684,107
Deferred tax assets		5,481,654	4,097,371
Other assets		12,653,943	5,802,478
Total assets		1,036,578,857	1,020,386,065
Liabilities			
Borrowings from Central Bank		2,796,349	6,793,977
Deposits from banks and other financial institutions		91,650,783	97,577,446
Placements from banks and other financial institutions		4,463,271	6,151,956
Financial liabilities at fair value through profit or loss		20,959,959	26,520,878
Derivative financial liabilities		768,469	694,473
Financial assets sold under repurchase agreements		89,672,253	60,117,133
Deposits from customers		696,631,204	654,537,752
Income tax payable		1,241,330	1,595,564
Debt securities issued		45,262,637	80,993,054
Other liabilities		3,759,270	6,889,743
Total liabilities		957,205,525	941,871,976



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(Expressed in thousands of Renminbi, unless otherwise stated)

47 BANK-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2020	31 December 2019
Equity			
Share capital	33	8,796,680	8,796,680
Capital reserve	34	26,931,360	26,931,360
Surplus reserve	34	7,283,589	7,166,927
General reserve	34	13,668,252	13,390,472
Fair value reserve	34	(633,509)	399,979
Provision reserve	34	645,432	8,215
Deficit on remeasurement of net defined benefit liability	34	(16,648)	(19,986)
Retained earnings	34	22,698,176	21,840,442
Total equity		79,373,332	78,514,089
Total liabilities and equity		1,036,578,857	1,020,386,065

Approved and authorised for issue by the board of directors on 30 March 2021.

Qiu Huofa

Chairman of Board of Directors

Shen Guoyong

President

Bao Hong

Chief Financial Officer

Company chop

48 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The profit appropriation of the Bank was proposed in accordance with the resolution of the Bank's board of directors meeting as disclosed in Note 35.



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise stated)

The information set out below does not form part of the consolidated financial statements, and is included herein for information purpose only.

1 LIQUIDITY COVERAGE RATIO AND LEVERAGE RATIO

(a) Liquidity coverage ratio

	As at 31 December 2020	Average for the year ended 31 December 2020	As at 31 December 2019	Average for the year ended 31 December 2019
Liquidity coverage ratio (RMB and foreign currency)	145.30%	146.61%	150.66%	166.71%

The above liquidity coverage ratio is calculated in accordance with the formula promulgated by the former China Banking Regulatory Commission (the former "CBRC") and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance ("MOF").

Pursuant to the Administrative Measures for Liquidity Risk Management of Commercial Banks, the liquidity coverage ratio of commercial banks shall reach 100% by the end of 2018.

The Hong Kong Banking (Disclosure) Rules (the "Rules") took effect on 1 January 2007. It requires the disclosure of an average liquidity coverage ratio, which is the arithmetic mean of the liquidity coverage ratio for each calendar quarter. The Group prepares the liquidity coverage ratio on a semi-annual basis and the disclosed average liquidity coverage ratio is the arithmetic mean of two consecutive liquidity coverage ratio as at 30 June and 31 December.

(b) Leverage ratio

	31 December 2020	31 December 2019
Leverage ratio	6.75%	6.50%

Pursuant to the Leverage Ratio Management of Commercial Banks (Amended) issued by the former CBRC and was effective since 1 April 2015, a minimum leverage ratio 4% is required.

The above liquidity coverage ratio and leverage ratio is calculated in accordance with the formula promulgated by the former CBRC and based on the financial information prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF.



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise stated)

2 CURRENCY CONCENTRATIONS

	31 December 2020			
	US Dollars (RMB Equivalent)	HK Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Spot assets	11,750,640	5,234,983	1,075,008	18,060,631
Spot liabilities	(12,643,995)	(33,284)	(6,255,417)	(18,932,696)
Net long position	(893,355)	5,201,699	(5,180,409)	(872,065)

	31 December 2019			
	US Dollars (RMB Equivalent)	HK Dollars (RMB Equivalent)	Others (RMB Equivalent)	Total (RMB Equivalent)
Spot assets	5,733,171	5,917,943	1,341,736	12,992,850
Spot liabilities	(10,681,007)	(460,447)	(5,975,609)	(17,117,063)
Net long position	(4,947,836)	5,457,496	(4,633,873)	(4,124,213)



3 INTERNATIONAL CLAIMS

The Group is principally engaged in business operations within Mainland China, and regards all claims on third parties outside Mainland China and claims dominated in foreign currency on third parties in Mainland China as international claims.

International claims include loans and advances to customers, deposits with Central Bank, deposits and placements with banks and other financial institutions, and investments in debt securities.

A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers. Risk transfers are only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a bank whose Head Office is located in another country.

	As at 31 December 2020			
	Official sector	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	334,819	10,849,441	2,211,530	13,395,790
North and South America	–	17,838	–	17,838
Europe	–	480,860	–	480,860
Total	<u>334,819</u>	<u>11,348,139</u>	<u>2,211,530</u>	<u>13,894,488</u>

	As at 31 December 2019			
	Official sector	Banks and other financial institutions	Non-bank private sector	Total
Asia Pacific	381,895	6,443,190	2,129,566	8,954,651
North and South America	–	1,202,308	–	1,202,308
Europe	–	578,258	–	578,258
Total	<u>381,895</u>	<u>8,223,756</u>	<u>2,129,566</u>	<u>10,735,217</u>



UNAUDITED SUPPLEMENTARY FINANCIAL INFORMATION

(Expressed in thousands of RMB, unless otherwise stated)

4 OVERDUE LOANS AND ADVANCES BY GEOGRAPHICAL SEGMENTS

	31 December 2020	31 December 2019
Northeast China	13,499,200	13,774,299
North China	12,405,636	8,857,666
Others	950,527	1,759,000
Total	26,855,363	24,390,965

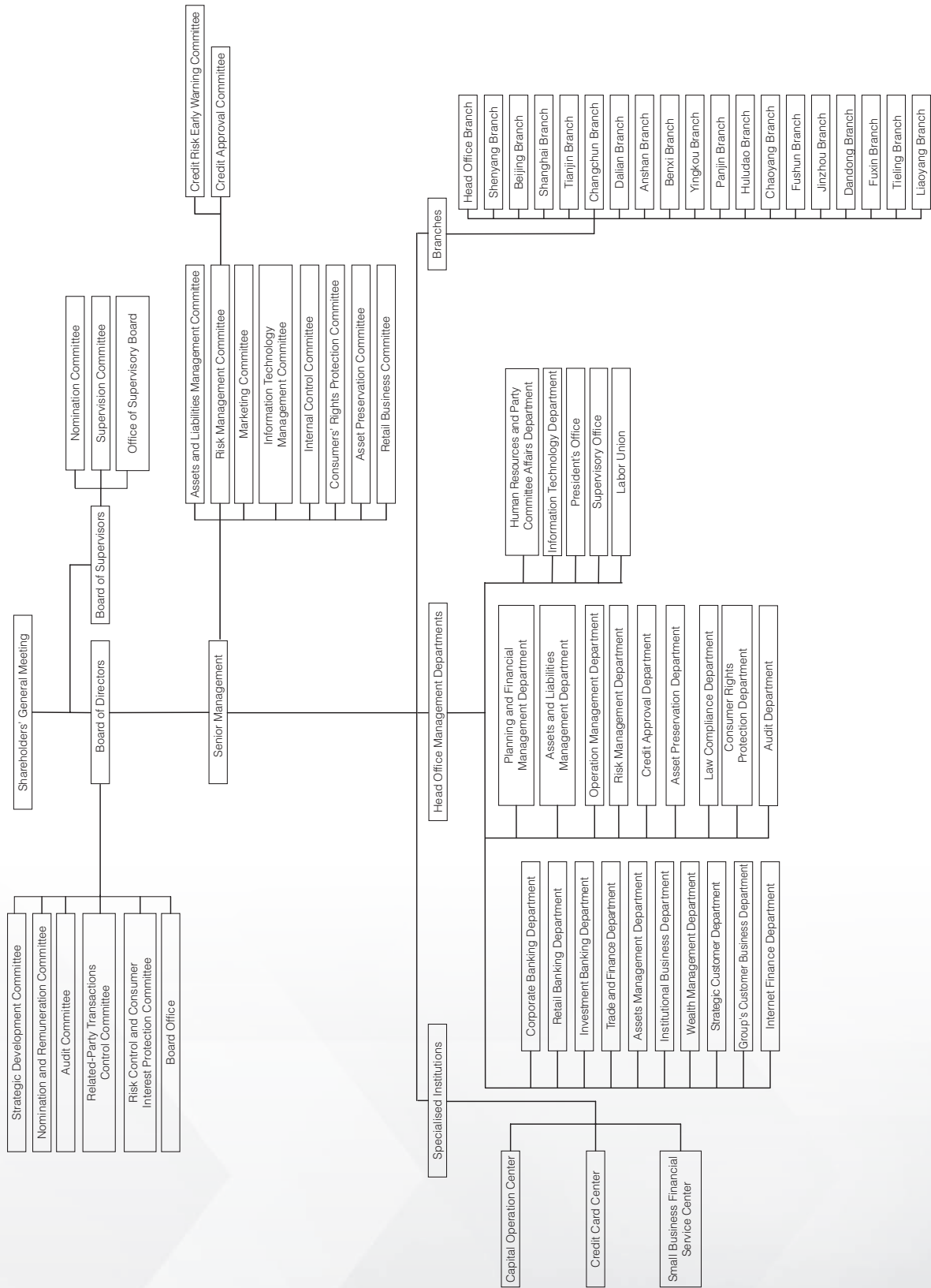
5 GROSS AMOUNT OF OVERDUE LOANS AND ADVANCES FOR MORE THAN 90 DAYS

	31 December 2020	31 December 2019
Gross loans and advances which have been overdue with respect to either principal or interest for periods of		
– between 3 and 6 months (inclusive)	3,022,512	6,337,310
– between 6 months and 1 year (inclusive)	2,979,035	3,483,764
– over 1 year	10,138,011	7,964,166
Total	16,139,558	17,785,240
As a percentage of total gross loans and advances		
– between 3 and 6 months (inclusive)	0.55%	1.39%
– between 6 months and 1 year (inclusive)	0.55%	0.76%
– over 1 year	1.85%	1.74%
Total	2.95%	3.89%



ORGANISATIONAL CHART

ORGANISATIONAL CHART





Chapter 19 The Statistical Statements of All Operating Institutions of Shengjing Bank

THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

As at 31 December 2020, the Bank has a total of 208 operating institutions, including one institution with legal person status, three specialised institutions, 18 branches, 181 sub-branches and five small and micro sub-branches, details of which are set out as follows:

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
1	Head Office	Shengjing Bank Co., Ltd.	No. 109, Beizhan Road, Shenhe District, Shenyang City	024-22535633	110013	024-22535633
2	Beijing Municipality	Beijing Branch of Shengjing Bank Co., Ltd.	Tower D, Oriental Media Centre, No. 4, Guanghua Road, Chaoyang District, Beijing Municipality	010-85570028	100026	010-85570028
3		Beijing Zhongguancun Sub-Branch of Shengjing Bank Co., Ltd.	Unit 108, 109, Floor 1, No. 8, Haidian North 2nd Street, Haidian District, Beijing Municipality	010-59718592	100080	010-59718592
4		Beijing Guanyuan Sub-Branch of Shengjing Bank Co., Ltd.	Commercial 5 (De Sheng Zone), Building 1, Yard 9, Chegongzhuang Street, Xicheng District, Beijing Municipality	010-85251177	100044	010-85251177
5		Beijing Wukesong Sub-Branch of Shengjing Bank Co., Ltd.	Floor 3, No. 69, Fuxing Road, Haidian District, Beijing Municipality	010-88199290	100039	010-88199292
6		Beijing Shunyi Sub-Branch of Shengjing Bank Co., Ltd.	Room 102, Floor 1, Tower 1, No 2, Zhanqian East Street, Shunyi District, Beijing Municipality	010-61426812	101300	010-61426812
7		Beijing Daxing Sub-Branch of Shengjing Bank Co., Ltd.	No. 26, Section 3, Xingye Street, Daxing District, Beijing Municipality	010-65820066	102600	010-65820066
8		Beijing Shijingshan Sub-Branch of Shengjing Bank Co., Ltd.	Unit 107, Floor 1, No.2, Yunquan Xili Zone 1, Shijingshan District, Beijing Municipality	010-68636855	100040	010-68636855
9		Beijing Wangjing Sub-Branch of Shengjing Bank Co., Ltd.	Unit 216-220, Floor 2, Building 8, District 4, Wangjing Dongyuan, Chaoyang District, Beijing Municipality	010-64391577	100102	010-64391577
10		Beijing Tongzhou Sub-Branch of Shengjing Bank Co., Ltd.	Room 136, Floor 1, Building 1, Yard 3, Guanyin'an North Street, Tongzhou District, Beijing Municipality	010-60568778	101100	010-69513102



No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
11	Tianjin City	Tianjin Branch of Shengjing Bank Co., Ltd.	Shopping Mall of Building 1, Wanshun Hot Spring Garden, Huangpu South Road, Hexi District, Tianjin City	022-28379999	300201	022-28379999
12		Tianjin Huayuan Sub-Branch of Shengjing Bank Co., Ltd.	No. 150-04 and No. 150-206, Yingshui Road, Huayuan Industrial Zone	022-58815628	300384	022-58815628
13		Tianjin Binhai Sub-Branch of Shengjing Bank Co., Ltd.	No. 21-18, 2nd Street, Tianjin Development Zone	022-59835260	300457	022-59835260
14		Tianjin Beichen Sub-Branch of Shengjing Bank Co., Ltd.	Unit 101, Building 4, Beichen Tower, Beichen District	022-58687610	300400	022-58687610
15		Tianjin Xiqing Sub-Branch of Shengjing Bank Co., Ltd.	No. 12-22, Jinfeng Road, Xiqing District	022-58335695	300380	022-58335695
16		Tianjin Hedong Sub-Branch of Shengjing Bank Co., Ltd.	No. 1 & 2, Floor 1, No. 70, Huachang Road, Hedong District	022-24410278	300011	022-24410278
17		Tianjin Hebei Sub-Branch of Shengjing Bank Co., Ltd.	No. 20, Wangchuanchang 5th Road, Hebei District, Tianjin City	022-58885920	300150	022-58885920
18		Tianjin Heping Sub-Branch of Shengjing Bank Co., Ltd.	No. 5, Xikang Road, Building 1 & 2, Hekang Mingdi, Heping District, Tianjin City	022-59956312	300051	022-59956312
19		Tianjin Dongli Sub-Branch of Shengjing Bank Co., Ltd.	Room 3-110, Guangfu Business Center, Dongli District, Tianjin City	022-84965926	300301	022-84965926
20		Tianjin Nankai Sub-Branch of Shengjing Bank Co., Ltd.	Floor 1, Nanfang Building, Northwest of the intersection of Anshan West Road and West Lake Village Street, Nankai District, Tianjin City	022-83698133	300073	022-83698133
21		Tianjin Jingtian Apartment Small and Micro Sub-Branch of Shengjing Bank Co., Ltd.	Zone 5-5-101A, Jingtian Apartment, Jiarongli Street, Beichen District, Tianjin City	022-83904179	300134	022-83904179



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
22	Shanghai Municipality	Shanghai Branch of Shengjing Bank Co., Ltd.	Room 102, 103, 202, No. 1452, Hongqiao Road, Changning District, Shanghai Municipality	021-32097727	200050	021-32097936
23		Shanghai Putuo Sub-Branch of Shengjing Bank Co., Ltd.	Room A8005-A8006, Floor 1, No. 1108, Zhenbei Road, Putuo District, Shanghai Municipality	021-60290531	200333	021-60290531
24		Shanghai Songjiang Sub-Branch of Shengjing Bank Co., Ltd.	Floor 1 & 2, No. 2, 4, 6, 8 & 10, Changxin Garden, Lane 1855, Sixian Road, Songjiang District, Shanghai Municipality	021-67828575	201620	021-67828575
25		Shanghai Pudong Sub-Branch of Shengjing Bank Co., Ltd.	No. 968, Pudong Avenue, China (Shanghai) Pilot Free Trade Zone	021-60191765	200135	021-60191755
26		Shanghai Changning Anlong Sub-Branch of Shengjing Bank Co., Ltd.	No. 759, Longan Road, Changning District, Shanghai Municipality	021-60791282	200336	021-60791282
27		Shanghai Xuhui Sub-Branch of Shengjing Bank Co., Ltd.	Shop 107/108, Floor 1 & Shop 210/209, Floor 2, No. 75, Tianlin East Road, Xuhui District, Shanghai Municipality	021-61270576	200235	021-61270576
28		Shanghai Huangpu Sub-Branch of Shengjing Bank Co., Ltd.	Unit 02, Floor 1, No. 689, Guangdong Road, Huangpu District, Shanghai Municipality	021-33316501	200001	021-33316501
29		Shanghai Jing'an Sub-Branch of Shengjing Bank Co., Ltd.	Room 102, Building No. 1, No.555, Nanjing West Road, Jing'an District, Shanghai Municipality	021-52897970	200041	021-52897927
30		Shanghai Yangpu Sub-Branch of Shengjing Bank Co., Ltd.	No. 166, 168, 170, Guoquan East Road, Yangpu District, Shanghai Municipality	021-55960667	200433	021-55960667
31		Shanghai Zhabei Sub-Branch of Shengjing Bank Co., Ltd.	Room 101-10, 101-11, 101-12, 101-13, No.160, Jiangchang West Road, Jing'an District, Shanghai Municipality	021-56525171	200040	021-56525171



No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
32	Changchun City	Changchun Branch of Shengjing Bank Co., Ltd.	No. 61, Gongnong Avenue, Chaoyang District, Changchun City, Jilin Province	0431-81958888	130000	0431-81958888
33		Changchun Nanhu Avenue Sub-Branch of Shengjing Bank Co., Ltd.	No. 1999, Nanhu Avenue, Nanguan District, Changchun City	0431-81928705	130000	0431-81928705
34		Changchun Xi'an Avenue Sub-Branch of Shengjing Bank Co., Ltd.	No. 8, Xi'an Avenue, Chaoyang District, Changchun City	0431-89828555	130000	0431-89828555
35		Changchun Xiangyun of Shengjing Bank Co., Ltd.	No. 1438, Xiangyun Street, Lvyuan District, Changchun City	0431-89297707	130000	0431-89297707
36		Changchun Yongchun Sub-Branch of Shengjing Bank Co., Ltd.	No. 88, 4th Road, Nanguan District, Changchun City, Jilin Province	0431-82008676	130000	0431-82008676
37		Changchun Ziyu Avenue Sub-Branch of Shengjing Bank Co., Ltd.	Block C, Yatai Haoyuan Community, No. 1008, Ziyu Avenue, Chaoyang District, Changchun City, Jilin Province	0431-82008660	130000	0431-82008660
38		Changchun Dongsheng Sub-Branch of Shengjing Bank Co., Ltd.	No. 1999, Jilin Avenue, Erdao District, Changchun City	0431-81970381	132000	0431-81970381
39		Jilin City Sub-Branch of Shengjing Bank Co., Ltd.	Floor 2-4, Post Office Building, No. 2, Songjiang East Road, Changyi District, Jilin City, Jilin Province	0432-62673888	130000	0432-62673888
40		Changchun CETDZ Sub-Branch of Shengjing Bank Co., Ltd.	No. 1138 & 1156, Weixing Road, Changchun Economic and Technological Development Zone	0431-82008770	130000	0431-82008770
41		Changchun Jingyang Sub-Branch of Shengjing Bank Co., Ltd.	No. 3310, Jingyang Avenue, Changchun Automobile Economic and Technological Development Zone, Jilin City	0431-82008706	130000	0431-82008706
42		Changchun Quan Lou Small and Micro Sub-Branch of Shengjing Bank Co., Ltd.	No. 18, Chongqing Hutong, Nanguan District, Changchun City, Changchun Province	0431-89828555	130000	0431-89828555



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
43	Liaoning Province	Shenyang Branch of Shengjing Bank Co., Ltd.	No. 2 A, Wu'ai Street, Shenhe District, Shenyang City	024-83256969	110016	024-83256978
44		Shenyang Shenhe Sub-Branch of Shengjing Bank Co., Ltd.	No. 2, Zhong Jie Road, Shenhe District, Shenyang City	024-84842085	110011	024-24869730
45		Shenyang Shangyuan Sub-Branch of Shengjing Bank Co., Ltd.	No. 34-A, Shangyuan Road, Dadong District, Shenyang City	024-88326157	110041	024-88326157
46		Shenyang Changqing Sub-Branch of Shengjing Bank Co., Ltd.	Gate 6, 7, 8 & 9, No. 17-25, Changqing South Street, Hunnan District, Shenyang City	024-31263205	110013	024-31263205
47		Shenyang Jindi Sub-Branch of Shengjing Bank Co., Ltd.	Gate 4, 5, No. 18-119, Xuecheng Road, Hunnan District, Shenyang City, Liaoning Province	024-22972532	110000	024-22972532
48		Shenyang Jiahua Sub-Branch of Shengjing Bank Co., Ltd.	Gate 8, No. 33-7, Fumin South Street, Hunnan District, Shenyang City, Liaoning Province	024-24200230	110015	024-24200230
49		Shenyang Zhongshan Sub-Branch of Shengjing Bank Co., Ltd.	No. 206, Zhongshan Road, Shenhe District, Shenyang City	024-22852026	110013	024-22852872
50		Shenyang Zhenxing Sub-Branch of Shengjing Bank Co., Ltd.	No. 181A, South 5th Road, Heping District, Shenyang City	024-23244929	110006	024-23244929
51		Shenyang Donghuan Sub-Branch of Shengjing Bank Co., Ltd.	Gate 4 & 5, No. 37, Shentie Road, Dadong District, Shenyang City	024-22712154	110044	024-22712154
52		Shenyang Nanliu Sub-Branch of Shengjing Bank Co., Ltd.	No. 16, South 8th Road, Heping District, Shenyang City	024-23508046	110000	024-23508046
53		Shenyang Zhaogong Sub-Branch of Shengjing Bank Co., Ltd.	No. 3, Block 35, No. 26-A, North 2nd West Road, Tiexi District, Shenyang City	024-23830881	110026	024-23830881



No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
54		Shenyang Minzhu Sub-Branch of Shengjing Bank Co., Ltd.	No. 78, Heping North Street, Heping District, Shenyang City	024-23261166	110001	024-23261166
55		Shenyang Xinshijie Sub-Branch of Shengjing Bank Co., Ltd.	Gate 5&6, No.7-19, South Sanhao Street, Heping District, Shenyang City	024-82562359	110057	024-82562359
56		Shenyang Binhe Sub-Branch of Shengjing Bank Co., Ltd.	No. 92, Da'nian Street, Shenhe District, Shenyang City	024-24120717	110011	024-24809998
57		Shenyang Hengxin Sub-Branch of Shengjing Bank Co., Ltd.	No. 51, Re'nao Road, Shenhe District, Shenyang City	024-31290373	110011	024-31290373
58		Shenyang Jinsha Sub-Branch of Shengjing Bank Co., Ltd.	No. 187, Daxi Road, Shenhe District, Shenyang City	024-22973779	110014	024-22973779
59		Shenyang Zhongxing Sub-Branch of Shengjing Bank Co., Ltd.	No. 10, Zhongxing Street, Heping District, Shenyang City	024-23218962	110001	024-23218962
60		Shenyang Yuhong New Town Sub-Branch of Shengjing Bank Co., Ltd.	No. 58, Xiannvhe Road, Yuhong District, Shenyang City, Liaoning Province (All)	024-25711310	110107	024-25711310
61		Shenyang Wanquan Sub-Branch of Shengjing Bank Co., Ltd.	No. 35, Changqing Street, Shenhe District, Shenyang City	024-24212158	110015	024-24212158
62		Shenyang 204 Sub-Branch of Shengjing Bank Co., Ltd.	No. 14, Liming 5th Street, Dadong District, Shenyang City	024-88417845	110043	024-88417845
63		Shenyang Jiahe Sub-Branch of Shengjing Bank Co., Ltd.	Gate 7, No. 1, Fangming Street, Shenhe District, Shenyang City	024-24627163	110015	024-24627163
64		Shenyang Dongmao Road Sub-Branch of Shengjing Bank Co., Ltd.	Gate 2 & 3, No. 18A-42, Dongling Road, Shenhe District, Shenyang City	024-88421161	110136	024-88421161



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
65		Shenyang North Station Sub-Branch of Shengjing Bank Co., Ltd.	No. 27, Huigong East 1st Street, Shenhe District, Shenyang City	024-88522942	110013	024-88522942
66		Shenyang Jiaoyu Sub-Branch of Shengjing Bank Co., Ltd.	No. 55, 2nd Longitude Street, Shenhe District, Shenyang City	024-22840330	110068	024-22840330
67		Shenyang Yinhe Sub-Branch of Shengjing Bank Co., Ltd.	No. 180, Xiaonan Street, Shenhe District, Shenyang City	024-24187108	110016	024-24187108
68		Shenyang Songling Sub-Branch of Shengjing Bank Co., Ltd.	No. 88, Huanghe North Street, Yuhong District, Shenyang City	024-86520786	110144	024-86520786
69		Shenyang Nujiang Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1-1, 1-2, 1-3, 1-4, No. 36-7, Beigu Mountain Road, Yuhong District, Shenyang City	024-86515855	110031	024-86515855
70		Shenyang Huanghe Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1, No. 111, Huanghe South Street, Huanggu District, Shenyang City, Liaoning Province	024-82555819	110031	024-82555819
71		Shenyang Taishan Sub-Branch of Shengjing Bank Co., Ltd.	Gate 5, 6&7, No. 7-4, Yalu River East Street, Huanggu District, Shenyang City	024-86629596	110144	024-86629596
72		Shenyang Nenjiang Sub-Branch of Shengjing Bank Co., Ltd.	No.100, Nenjiang Street, Huanggu District, Shenyang City	024-86250963	110031	024-86250963
73		Shenyang Wuyi Sub-Branch of Shengjing Bank Co., Ltd.	No. 58, Liaohe Street, Huanggu District, Shenyang City	024-86840414	110031	024-86840414
74		Shenyang Xianggong Sub-Branch of Shengjing Bank Co., Ltd.	No. 215, Huashan Road, Huanggu District, Shenyang City	024-86749732	110035	024-86749732
75		Shenyang Dabeiguan Sub-Branch of Shengjing Bank Co., Ltd.	No. 42, Dabeiguan Street, Dadong District, Shenyang City, Liaoning Province	024-88565286	110041	024-88565286



No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
76		Shenyang Yuhong Sub-Branch of Shengjing Bank Co., Ltd.	No. 10, Huanghai Road, Yuhong District, Shenyang City	024-25305689	110141	024-25301499
77		Shenyang Tiecheng Sub-Branch of Shengjing Bank Co., Ltd.	Gate 3&4, Building 3, No. 25-1, Zhaogong South Street, Tiexi District, Shenyang City, Liaoning Province	024-25717902	110024	024-25717901
78		Shenyang Shuangxi Sub-Branch of Shengjing Bank Co., Ltd.	No. 88, Zhonggong South Street, Tiexi District, Shenyang City	024-25787387	110024	024-25787387
79		Shenyang Zhangshi Sub-Branch of Shengjing Bank Co., Ltd.	No. 212, Shenliao Road, Shenyang Economic and Technological Development Zone	024-25280910	110023	024-25280910
80		Shenyang Economic and Technological Development Zone Sub-Branch of Shengjing Bank Co., Ltd.	No. 21-A-5, Central Street, Shenyang Economic and Technological Development Zone	024-62836296	110142	024-62836296
81		Shenyang Liaozhong Sub-Branch of Shengjing Bank Co., Ltd.	No. 106, Zhengfu Road, Liaozhong Town, Liaozhong District, Shenyang City, Liaoning Province	024-87880580	110200	024-87880580
82		Shenyang Xinmin Sub-Branch of Shengjing Bank Co., Ltd.	No. 3, Zhongxing East Road, Xinmin City	024-27855999	110300	024-27855959
83		Shenyang Hemu Road Sub-Branch of Shengjing Bank Co., Ltd.	No. 15, Jingqiao Road, Dadong District, Shenyang City	024-24321474	110042	024-24321474
84		Shenyang Dongbei Avenue Sub-Branch of Shengjing Bank Co., Ltd.	Gate 6&7, No. 262, Dongbei Avenue, Dadong District, Shenyang City, Liaoning Province	024-88217598	110044	024-88212840
85		Shenyang Bajiazi Sub-Branch of Shengjing Bank Co., Ltd.	Gate 7, No. 22, Dongling West Road, Dadong District, Shenyang City, Liaoning Province	024-88441405	110043	024-88441405
86		Shenyang Dadong Road Sub-Branch of Shengjing Bank Co., Ltd.	No. 116, Dongshuncheng Street, Dadong District, Shenyang City	024-24845070	110041	024-24845070



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No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
87		Shenyang Zhenghao Sub-Branch of Shengjing Bank Co., Ltd.	No. 68, Pangjiang Street, Dadong Street, Shenyang City	024-24352501	110041	024-24352501
88		Shenyang Jilong Sub-Branch of Shengjing Bank Co., Ltd.	Gate 4, No. 68, Dadong Road, Dadong District, Shenyang City	024-24321649	110041	024-24321649
89		Shenyang Liaoshen Sub-Branch of Shengjing Bank Co., Ltd.	No.1, Liaoshen 2nd Street, Dadong District, Shenyang City, Liaoning Province	024-88113032	110041	024-88113032
90		Shenyang Dongshuncheng Sub-Branch of Shengjing Bank Co., Ltd.	No. 2, Dongshuncheng Road, Shenhe District, Shenyang City	024-24867743	110014	024-24867743
91		Shenyang Quanyuan Sub-Branch of Shengjing Bank Co., Ltd.	No. 7, Fengle 2nd Street, Shenhe District, Shenyang City	024-24829409	110167	024-24829409
92		Shenyang Huashan Sub-Branch of Shengjing Bank Co., Ltd.	No. 76, Harbin Road, Heping District, Shenyang City	024-22501048	110002	024-22501048
93		Shenyang Xinhe Sub-Branch of Shengjing Bank Co., Ltd.	No. 98, Shashan Street, Heping District, Shenyang City	024-23304214	110005	024-23304214
94		Shenyang Lingdong Sub-Branch of Shengjing Bank Co., Ltd.	Gate 12&13, No.28, Tieshan Road, Huanggu District, Shenyang City, Liaoning Province	024-31513441	110032	024-31513441
95		Shenyang Huaxin Sub-Branch of Shengjing Bank Co., Ltd.	Gate 2, No. 12, Huashan Road, Huanggu District, Shenyang City, Liaoning Province	024-86413380	110031	024-86413380
96		Shenyang Sanhao Sub-Branch of Shengjing Bank Co., Ltd.	No. 87 A-1, South Sanhao Street, Heping District, Shenyang City	024-22503048	110004	024-22503048
97		Shenyang Shenyang Road Sub-Branch of Shengjing Bank Co., Ltd.	Gate 21, No. 15-5, Shenyang Road, Hunnan New District, Shenyang City, Liaoning Province	024-62346152	110180	024-62346152



No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
98		Shenyang Xuesong Sub-Branch of Shengjing Bank Co., Ltd.	No. 54, Xuesong Road, Sujiatun District, Shenyang City, Liaoning Province	024-89586967	110101	024-89586967
99		Shenyang Xiangshuwan Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1, No. 6, Hejiang Street, Yuhong District, Shenyang City	024-86528130	110031	024-86528130
100		Shenyang Keji Sub-Branch of Shengjing Bank Co., Ltd.	Gate 2, No. 318, Qingnian Street, Heping District, Shenyang City, Liaoning Province	024-23997390	110001	024-23842504
101		Shenyang Nanhu Sub-Branch of Shengjing Bank Co., Ltd.	No. 21 A-1, Sanhao Street, Heping District, Shenyang City	024-23895215	110001	024-23895215
102		Shenyang Dongquan Sub-Branch of Shengjing Bank Co., Ltd.	No. 16, Quanyuan 1st Road, Shenhe District, Shenyang City	024-24233911	110015	024-24233911
103		Shenyang Dongxing Sub-Branch of Shengjing Bank Co., Ltd.	Gates 11-12, No. 429 Da'n'an Street, Shenhe District, Shenyang City, Liaoning Province	024-24516360	110016	024-24516360
104		Shenyang Heping Sub-Branch of Shengjing Bank Co., Ltd.	No. 96, Taiyuan South Street, Heping District, Shenyang City	024-23518649	110001	024-23528647
105		Shenyang Nanjing Street Sub-Branch of Shengjing Bank Co., Ltd.	No. 45, Nanjing South Street, Heping District, Shenyang City	024-23523225	110001	024-23523225
106		Shenyang Shengli Sub-Branch of Shengjing Bank Co., Ltd.	No. 14 and 16, Changbai 4th Street, Heping District, Shenyang City	024-23523044	110166	024-23523044
107		Shenyang Tianhe Sub-Branch of Shengjing Bank Co., Ltd.	Unit 101 & 102, No. 5, Zhongshan Road, Heping District, Shenyang City	024-83465328	110002	024-83465328
108		Shenyang Beishi Sub-Branch of Shengjing Bank Co., Ltd.	No. 218, Shifu Avenue, Heping District, Shenyang City	024-62502761	110002	024-62502762



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
109		Shenyang Hetai Sub-Branch of Shengjing Bank Co., Ltd.	Gate 3, No. 107, Nanjing North Street, Heping District, Shenyang City	024-22870771	110002	024-22870771
110		Shenyang Taiyuan Sub-Branch of Shengjing Bank Co., Ltd.	No.92, Shengli South Street, Heping District, Shenyang City	024-22704016	110002	024-22704016
111		Shenyang Medical University Sub-Branch of Shengjing Bank Co., Ltd.	No.92, North Second Road, Heping District, Shenyang City	024-83282796	110002	024-83282796
112		Shenyang Hongxia Sub-Branch of Shengjing Bank Co., Ltd.	No. 38, North 5th Longitude Street, Heping District, Shenyang City	024-62250304	110003	024-62250304
113		Shenyang Nanshi Sub-Branch of Shengjing Bank Co., Ltd.	No. 7, South 3rd Longitude Street, Shenhe District, Shenyang City	024-22710606	110013	024-22710606
114		Shenyang Shenshui Sub-Branch of Shengjing Bank Co., Ltd.	No.496, Changbai Street, Heping District, Shenyang City	024-31910800	110001	024-31910800
115		Shenyang Baogong Sub-Branch of Shengjing Bank Co., Ltd.	No. 15, Baogong South Street, Tiexi District, Shenyang City	024-25655584	110021	024-25655584
116		Shenyang Xinggong Sub-Branch of Shengjing Bank Co., Ltd.	No. 108, Xinggong North Street, Tiexi District, Shenyang City	024-25851590	110021	024-25851590
117		Shenyang Baoxing Sub-Branch of Shengjing Bank Co., Ltd.	No. 29, Xinghua North Street, Tiexi District, Shenyang City	024-25112720	110027	024-25112720
118		Shenyang Tengfei Sub-Branch of Shengjing Bank Co., Ltd.	No. 57, Tengfei 1st Street, Tiexi District, Shenyang City, Liaoning Province	024-25931567	110027	024-25931567
119		Shenyang Tiexi Sub-Branch of Shengjing Bank Co., Ltd.	No. 31, Jianshe Middle Road, Tiexi District, Shenyang City	024-25866380	110021	024-25866380



No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
120		Shenyang Mazhuang Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1, No. 26, Mazhuang Street, Tiexi District, Shenyang City, Liaoning Province	024-25728349	110023	024-25728349
121		Shenyang Xinghua Sub-Branch of Shengjing Bank Co., Ltd.	No. 14, Yanhua Street, Tiexi District, Shenyang City	024-25964572	110021	024-25964572
122		Shenyang Jianshe Avenue Sub-Branch of Shengjing Bank Co., Ltd.	No. 8, Jianshe Middle Road, Tiexi District, Shenyang City	024-25866380	110021	024-25866380
123		Shenyang Yunfeng Sub-Branch of Shengjing Bank Co., Ltd.	No. 98, Xishuncheng Street, Shenhe District, Shenyang City	024-22535655	110013	024-22535655
124		Shenyang Jingxing Sub-Branch of Shengjing Bank Co., Ltd.	No. 178, Xingshun Street, Tiexi District, Shenyang City	024-85400343	110023	024-85400343
125		Shenyang Xingshun Sub-Branch of Shengjing Bank Co., Ltd.	(Gate 1) (Gate 2) (Gate 3) (Gate 4) (Gate 5) (Gate 6), No.23-1, North 2nd Middle Road, Tiexi District, Shenyang City	024-81054378	110023	024-81054378
126		Shenyang Huaxiang Sub-Branch of Shengjing Bank Co., Ltd.	Gate 4-5, No. 18, Huaxiang Road, Tiexi District, Shenyang City	024-25890701	110023	024-25890701
127		Shenyang Yaming Sub-Branch of Shengjing Bank Co., Ltd.	No. 100, Kunshan Middle Road, Huanggu District, Shenyang City	024-86860739	110031	024-86852023
128		Shenyang Tawan Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1-2, No. 142, Kunshan West Road, Huanggu District, Shenyang City	024-86722014	110031	024-86722014
129		Shenyang Yalu River Sub-Branch of Shengjing Bank Co., Ltd.	Gate 11, No. 63, Yalu River Street, Huanggu District, Shenyang City	024-86620510	110031	024-86620510
130		Shenyang Beihuan Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1, No. 78, North Changjiang Street, Yuhong District, Shenyang City	024-86166201	110034	024-86166201



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No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
131		Shenyang Changjiang Sub-Branch of Shengjing Bank Co., Ltd.	No. 59, Changjiang Street, Huanggu District, Shenyang City	024-86297739	110031	024-86297739
132		Shenyang Ningshan Sub-Branch of Shengjing Bank Co., Ltd.	No. 64, Ningshan Middle Road, Huanggu District, Shenyang City	024-86240034	110031	024-86240034
133		Shenyang Dongling Sub-Branch of Shengjing Bank Co., Ltd.	No. 105A, Wanliutang Road, Shenhe District, Shenyang City, Liaoning Province	024-24200020	110015	024-24200020
134		Shenyang Fengle Sub-Branch of Shengjing Bank Co., Ltd.	Gate 4, No. 72, Wenhua East Road, Shenhe District, Shenyang City	024-24222193	110015	024-24222193
135		Shenyang Free Trade Zone Sub-Branch of Shengjing Bank Co., Ltd.	Floor 1, Block D, No.109-4 Quanyun Road, Shenyang Area, China (Liaoning) Pilot Free Trade Zone (Room 128)	024-83766268	110000	024-83766268
136		Shenyang Hegan New Town Sub-Branch of Shengjing Bank Co., Ltd.	Gate 10 & 11, No. 1-436, Hengda Road, Hunnan New District, Shenyang City	024-24564183	110000	024-24564183
137		Shenyang Sujiatun Sub-Branch of Shengjing Bank Co., Ltd.	No. 60, Fengyang Road, Sujiatun District, Shenyang City	024-89811137	110101	024-89811137
138		Shenyang Changbai Sub-Branch of Shengjing Bank Co., Ltd.	A1 & 2, No. 62, Changbai West Road, Heping District, Shenyang City	024-23732950	110001	024-23732950
139		Shenyang Fengyang Sub-Branch of Shengjing Bank Co., Ltd.	Gate 1 and 53, No. 107, Fengyang Road, Sujiatun, Shenyang City	024-89825773	110101	024-89825773
140		Shenyang Shenbei New District Sub-Branch of Shengjing Bank Co., Ltd.	No. 32, Yinhe Street, Shenbei New District, Shenyang City	024-89603292	110121	024-89603292
141		Shenyang Daoyi Sub-Branch of Shengjing Bank Co., Ltd.	Gate 3 & 4, No. 55-5, Daoyi North Street, Shenbei New District, Shenyang City	024-89798932	110121	024-89798932



No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
142		Shenyang Kangping Sub-Branch of Shengjing Bank Co., Ltd.	No.300 Central Street, Kangping Town, Kangping County, Shenyang City	024-87335672	110500	024-87335672
143		Shenyang Faku Sub-Branch of Shengjing Bank Co., Ltd.	Shops 105, 106, 107, 108 & 109, Building 6, No. 41, Bianmen Street, Faku Town, Faku County, Shenyang City	024-31109066	110400	024-31109166
144		Dalian Branch of Shengjing Bank Co., Ltd.	No. 160, Jiefang Road, Zhongshan District, Dalian City, Liaoning Province	0411-82566666	116011	0411-82566666
145		Dalian Development Zone Sub-Branch of Shengjing Bank Co., Ltd.	No. 37-1, Liaohe West Road, Dalian Economic and Technological, Liaoning Province	0411-87571166	116600	0411-87571166
146		Dalian Wafangdian Sub-Branch of Shengjing Bank Co., Ltd.	No. 559-7, 8 & 9, Zhufeng Street, Wenlan Street Office, Wafangdian City, Liaoning Province	0411-85552255	116300	0411-85552255
147		Dalian Wusi Square Sub-Branch of Shengjing Bank Co., Ltd.	No. 10, Wusi Square, Shahekou District, Dalian City, Liaoning Province	0411-84652233	116000	0411-84652233
148		Dalian Xinghai Sub-Branch of Shengjing Bank Co., Ltd.	No. 582, Zhongshan Road, Shahekou District, Dalian City, Liaoning Province	0411-88144433	116000	0411-88144433
149		Dalian Renmin Road Sub-Branch of Shengjing Bank Co., Ltd.	No.73 Renmin Road, Zhongshan District, Dalian City, Liaoning Province	0411-82593999	116011	0411-82593999
150		Anshan Sub-Branch of Shengjing Bank Co., Ltd.	5A, Hunan Street, Tiedong district, Anshan City, Liaoning Province	0412-5939998	125000	0412-5939998
151		Anshan Tiedong Sub-Branch of Shengjing Bank Co., Ltd.	No. S9, No.S10 and No. S11, Floor 1, Building 40, Shannan Street, Tiedong district, Anshan City	0412-5841266	114000	0412-5841266
152		Anshan Tiexi Sub-Branch of Shengjing Bank Co., Ltd.	No. 178-S1, S2, S3 & S4, No. 178, Jiudao Street, Tiexi District, Anshan City	0412-8592299	114000	0412-8592299



Chapter 19 The Statistical Statements of All Operating Institutions of Shengjing Bank

THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
153		Anshan Haicheng Sub-Branch of Shengjing Bank Co., Ltd.	No. 4, Building 6-1, Baihui Xiangshan Estate, Dongguan Community, Haizhou Administrative Zone, Haicheng City, Liaoning Province	0412-3666766	114000	0412-3666766
154		Anshan Xinxing Sub-Branch of Shengjing Bank Co., Ltd.	4-S1&4-S2, North Shengli Road, Lishan District, Anshan City, Liaoning Province	0412-5916280	114000	0412-5916280
155		Anshan Shengli Sub-Branch of Shengjing Bank Co., Ltd.	No. 9-11, 9-12, Wuyi Road, Tiedong District, Anshan City	0412-5939993	114000	0412-5939993
156		Fushun Branch of Shengjing Bank Co., Ltd.	Room 2, 3 & 4, No. 57-7, Linjiang East Road, Shuncheng District, Fushun City, Liaoning Province	024-53903666	113006	024-53903666
157		Fushun Xinfu Sub-Branch of Shengjing Bank Co., Ltd.	Shop 2, Building 2, Wugong Street, Xinfu District, Fushun City, Liaoning Province	024-53965666	113008	024-53965666
158		Fushun Wanghua Sub-Branch of Shengjing Bank Co., Ltd.	Shop 1 & 2, Building 23, West Section, Leifeng Road, Wanghua District, Fushun City, Liaoning Province	024-53978966	113001	024-53978966
159		Fushun Dongzhou Sub-Branch of Shengjing Bank Co., Ltd.	First Floor of Room 5 and First & Second Floor of Room 6, Nonresidential Two- Floor Unit, No. 3, Dongzhou North Street, Dongzhou District, Fushun City, Liaoning Province	024-53784333	113004	024-53784333
160		Fushun Yong'antai Small and Micro Sub-Branch of Shengjing Bank Co., Ltd.	No. 102, Unit 2, Building 5, Beitai Fifth Street, Xinfu District, Fushun City, Liaoning Province	024-53986333	113008	024-53986333
161		Benxi Branch of Shengjing Bank Co., Ltd.	No. 4, Dongming Road, Pingshan District, Benxi City (Central Street, Pingshan District)	024-43106888	117000	024-43106888
162		Benxi Mingshan Sub-Branch of Shengjing Bank Co., Ltd.	No. 102, Jiefang North Road, Xinfeng Street, Mingshan District, Benxi City	024-45580666	117000	024-45580666
163		Benxi Shengli Road Sub-Branch of Shengjing Bank Co., Ltd.	Building 57, Shengli Road, Mingshan District, Benxi City	024-42966688	117000	024-42966688



No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
164		Benxi Pingshan Sub-Branch of Shengjing Bank Co., Ltd.	No. 8, Building 31-6, Pingshan Road, Pingshan District, Benxi City, Liaoning Province	024-42966999	117000	024-42966999
165		Benxi County Sub-Branch of Shengjing Bank Co., Ltd.	No. 331, Changjiang Road, Xiaoshi Town, Benxi Manchu Autonomous County, Liaoning Province	024-43336111	117000	024-43336111
166		Dandong Branch of Shengjing Bank Co., Ltd.	No. 70, Qingnian Street, Zhenxing District, Dandong City	0415-2946666	118000	0415-2946666
167		Dandong Donggang Sub-Branch of Shengjing Bank Co., Ltd.	No. 30, Jinxiu Jiayuan Community, Dadong Administrative Zone, Donggang County-level City, Dandong City, Liaoning Province	0415-2596666	118300	0415-2596666
168		Jinzhou Branch of Shengjing Bank Co., Ltd.	No. 43-1, Area B of Lingyunli Manhattan, Taihe District, Jinzhou City	0416-2110900	121000	0416-2110900
169		Jinzhou Yan'an Road Sub-Branch of Shengjing Bank Co., Ltd.	No. 1-1, Jindi Jiayuan Community, Section 3, Yan'an Road, Guta District, Jinzhou City, Liaoning Province	0416-2110950	121000	0416-2110950
170		Jinzhou Jiefang Road Sub-Branch of Shengjing Bank Co., Ltd.	No. 8, 9, Section 171, Hangzhou Street, Linghe District, Jinzhou City, Liaoning Province	0416-2110988	121000	0416-2110988
171		Jinzhou Central Avenue Sub-Branch of Shengjing Bank Co., Ltd.	No. 26-52 & 26-53, Section 3, Jiefang Road, Guta District, Jinzhou City, Liaoning Province	0416-2110998	121000	0416-2110998
172		Jinzhou Shifu Road Sub-Branch of Shengjing Bank Co., Ltd.	No.3-118, No.3-119, No.3-120, No.3-121, Dianyi Xinzhou, Shifu Road, Taihe District, Jinzhou City, Liaoning Province	0416-3680555	121000	0416-3680555
173		Yingkou Branch of Shengjing Bank Co., Ltd.	No. 17, Riyue Avenue, Yingkou Economic and Technological Development Zone, Liaoning Province	0417-6818666	115007	0417-6818666
174		Yingkou Dashiqiao Sub-Branch of Shengjing Bank Co., Ltd.	No. 28 (Yandongli of Junmin Street), Hada Middle Road, Dashiqiao City	0417-5826677	115100	0417-5826677



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
175		Yingkou Shifu Sub-Branch of Shengjing Bank Co., Ltd.	No. 1-A-A-1, Huibin Road, Zhanqian District, Yingkou City	0417-4887700	115000	0417-4887700
176		Yingkou Huimin Sub-Branch of Shengjing Bank Co., Ltd.	No. 21, Riyue Avenue, Yingkou Economic and Technological Development Zone, Liaoning Province	0417-6166640	115007	0417-6166640
177		Yingkou Xuefu Sub-Branch of Shengjing Bank Co., Ltd.	No. 9-A4, North Xuefu Road, Zhanqian District	0417-2922345	115000	0417-2922345
178		Yingkou Gaizhou Sub-Branch of Shengjing Bank Co., Ltd.	Unit 2, Building 10, Longsheng Huayuan, Xinxing Community, Xicheng Street Office, Gaizhou City, Liaoning Province	0417-7331666	115200	0417-7331666
179		Yingkou Kunlun Sub-Branch of Shengjing Bank Co., Ltd.	No. 8-2, South Section, Kunlun Street, Bayuquan District, Yingkou City, Liaoning Province	0417-6166600	115007	0417-6166600
180		Fuxin Branch of Shengjing Bank Co., Ltd.	Gate 12, 14, 16, 18, 20, 22, No. 86, Zhonghua Road, Haizhou District, Fuxin City	0418-5699999	123000	0418-5699999
181		Fuxin Fumeng County Sub-Branch of Shengjing Bank Co., Ltd.	No. 26-1-1-4, Building 26, Wenhua Road, Qiangmin Community, Fumeng County, Fuxin City, Liaoning Province	0418-3590999	123100	0418-3590999
182		Liaoyang Branch of Shengjing Bank Co., Ltd.	No. 155, Wensheng Road, Baita District, Liaoyang City, Liaoning Province	0419-3736789	111000	0419-3736789
183		Liaoyang Hongwei Sub-Branch of Shengjing Bank Co., Ltd.	Outlet on First Floor, No. 28, Jiankang Road, Hongwei District, Liaoyang City, Liaoning Province	0419-3679345	111003	0419-3679345
184		Liaoyang Baita Sub-Branch of Shengjing Bank Co., Ltd.	No. 92-9 Minzhu Road, Baita District, Liaoyang City	0419-3679356	111000	0419-3679356
185		Tieling Sub-Branch of Shengjing Bank Co., Ltd.	1-1, No. 18 Yinzhou Road, Yinzhou District, Tieling City, Liaoning Province	024-72276666	112000	024-72276666



No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
186		Tieling Yinzhou Sub-Branch of Shengjing Bank Co., Ltd.	Shop 1, Zone C East, Building 22, No. 11, Huiyuan Community, Chaihe Street, Yinzhou District, Tieling City, Liaoning Province	024-76696666	112000	024-76696666
187		Tieling Diaobingshan Sub-Branch of Shengjing Bank Co., Ltd.	Beijindu Comprehensive Building, Trade Town east of Diaobingshan Street, Diaobingshan County-level City, Tieling City, Liaoning Province	024-76516666	112700	024-76516666
188		Chaoyang Branch of Shengjing Bank Co., Ltd.	No. 401,102,202 & 302 of G4 Outlet, Phase I Dongdu Jiayuan, North Street, Shuangta District	0421-3999916	122000	0421-3999916
189		Chaoyang Shuangta Sub-Branch of Shengjing Bank Co., Ltd.	No.3-5, 3-6 and 3-7, Section 2, Zhujiang Road, Shuangta District, Chaoyang City, Liaoning Province	0421-3606777	122000	0421-3606777
190		Chaoyang Jianping Sub-Branch of Shengjing Bank Co., Ltd.	No. 59, Renmin Road, Jianping County, Chaoyang City, Liaoning Province	0421-7868787	124000	0421-7868787
191		Chaoyang Longcheng Sub-Branch of Shengjing Bank Co., Ltd.	No. 69-1 & 69-2, Section 5, Wenhua Road, Longcheng District, Chaoyang City, Liaoning Province	0421-3895566	122000	0421-3895566
192		Panjin Branch of Shengjing Bank Co., Ltd.	No. 136, Xinglongtai Street, Xinglongtai District, Panjin City	0427-3290900	124000	0427-3290900
193		Panjin Development Zone Sub-Branch of Shengjing Bank Co., Ltd.	No. 236, Taishan Road, Xinglongtai District, Panjin City	0427-3267099	124000	0427-3267099
194		Panjin Liaohe Oil Field Sub-Branch of Shengjing Bank Co., Ltd.	Business Outlet No. 1-3 & 1-4, Xinyihe Community, Xinglongtai Street, Xinglongtai District, Panjin City	0427-3291099	124000	0427-3291099
195		Panjin Panshan Sub-Branch of Shengjing Bank Co., Ltd.	Room 102, Floor 1, Venture Building, No.8, Fuqian Street, Panshan County, Panjin City, Liaoning Province	0427-3712199	124000	0427-3712199
196		Panjin Shuangtaizi Sub-Branch of Shengjing Bank Co., Ltd.	No. 156, Shengli Street, Shuangtaizi District, Panjin City, Liaoning Province	0427-3710880	124000	0427-3710880



THE STATISTICAL STATEMENTS OF ALL OPERATING INSTITUTIONS OF SHENGJING BANK

No.	Geographical Region	Full name of institutions	Business Address	Telephone	Postcode	Fax
197		Panjin Leyuan Small and Micro Sub-Branch of Shengjing Bank Co., Ltd.	No. 41-1, Leyuan Road, Xinglongtai District, Panjin City, Liaoning Province	0427-6590799	124000	0427-6590799
198		Panjin Jinxiang Small and Micro Sub-Branch of Shengjing Bank Co., Ltd.	No. 182-10-6, Xinglongtai Street, Xinlongtai District, Panjin City, Liaoning Province	0427-7860290	124000	0427-7860290
199		Huludao Branch of Shengjing Bank Co., Ltd.	Building L & Building B, No. 145, Longwan Street, Longgang District, Huludao City, Liaoning Province	0429-3023018	125000	0429-3023018
200		Huludao Lianshan Sub-Branch of Shengjing Bank Co., Ltd.	Building A, No. 5, Lianshan Street, Lianshan District, Huludao City, Liaoning Province	0429-3077666	125000	0429-3077666
201		Huludao Longgang Sub-Branch of Shengjing Bank Co., Ltd.	No. 28, Longwan Street, Longgang District, Huludao City	0429-3122000	125000	0429-3122000
202		Huludao Xingcheng Sub-Branch of Shengjing Bank Co., Ltd.	Bihai Yaju Community, Diaoyutai Street Office, Xingcheng City, Liaoning Province	0429-5677766	125000	0429-5677766
203		Huludao Suizhong Sub-Branch of Shengjing Bank Co., Ltd.	No. 11, Section 2, Central Road, Suizhong County, Huludao City, Liaoning Province	0429-3258001	125000	0429-3258001
204		Huludao Dongcheng Sub-Branch of Shengjing Bank Co., Ltd.	Building A, B, C, No. 3-5, Fumin Street, Lianshan District, Huludao City, Liaoning Province	0429-3220707	125000	0429-3220707
205		Huludao Jianchang Sub-Branch of Shengjing Bank Co., Ltd.	Shop 3, 4, 5 & 6 Eastward, South of Tianxing commercial & residential community, East Guangming Street (originally people' armed forces), Jianchang County, Huludao City, Liaoning Province	0429-3305858	125000	0429-3305858
206		Credit Card Center of Shengjing Bank Co., Ltd.	Floor 39, Building 1, Xindi Center, No. 10, Youhao Street, Shenhe District, Shenyang City	024-23323777-1056	110013	024-23323777-1056
207		Capital Operation Center of Shengjing Bank Co., Ltd.	No. 15, Baogong South Street, Tiexi District, Shenyang City, Liaoning Province	024-80108668	110000	024-80108668
208		Small Business Financial Service Center of Shengjing Bank Co., Ltd.	No. 60, Fengyang Road, Sujiatun District, Shenyang City	024-86108301	110101	024-86108301



DEFINITION

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

"Articles of Association"	the articles of association of the Bank, as amended from time to time
"Bank", the "Company", "Shengjing Bank", or "We"	Shengjing Bank Co., Ltd. (盛京银行股份有限公司), a joint stock limited company incorporated in the PRC on 10 September 1997 in accordance with PRC laws, and, if the context requires, includes its predecessors, subsidiaries, branches and sub-branches
"Board" or "Board of Directors"	the board of Directors of the Bank
"Board of Supervisors"	the board of Supervisors of the Bank
"CBIRC"	China Banking and Insurance Regulatory Commission
"CBIRC Liaoning Bureau"	China Banking and Insurance Regulatory Commission Liaoning Bureau
"Director(s)"	the director(s) of the Bank
"Domestic Shares"	ordinary shares issued by the Bank, with a nominal value of RMB1.00 each, which are subscribed for or credited as paid in full in Renminbi
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"H Shares"	overseas-listed shares in the share capital of our Bank, with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and listed on the Main Board of the Hong Kong Stock Exchange
"HK\$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Latest Practicable Date"	30 March 2021, being the latest practicable date prior to the printing of this re-port for the purpose of ascertaining certain data contained in this report
"Listing Date"	29 December 2014, the date on which dealings in the H Shares first commenced on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Macau"	the Macau Special Administrative Region of the PRC
"PBOC" or "Central Bank"	the People's Bank of China



DEFINITION

"PRC"	the People's Republic of China
"Reporting Period"	the year ended 31 December 2020
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Shareholder(s)"	the shareholder(s) of the Bank
"Shares"	the Domestic Shares and the H Shares
"Shenyang Hengxin"	Shenyang Hengxin State-owned Assets Management Group Co., Ltd. (瀋陽恒信國有資產經營集團有限公司, formerly known as 瀋陽恒信國有資產經營有限公司), a company incorporated in the PRC on 10 April 2002
"State Council"	the State Council of the PRC
"Supervisor(s)"	the supervisor(s) of the Bank
"%"	per cent