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**JILIN JIUTAI RURAL COMMERCIAL BANK CORPORATION LIMITED \***  
**吉 林 九 台 農 村 商 業 銀 行 股 份 有 限 公 司 \***  
(A joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 6122)

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED DECEMBER 31, 2020**

The board of directors (the “**Board**” or “**Board of Directors**”) of Jilin Jiutai Rural Commercial Bank Corporation Limited (the “**Bank**”) is pleased to announce the audited annual results (the “**Annual Results**”) of the Bank and its subsidiaries (the “**Group**”) for the year ended December 31, 2020 (the “**Reporting Period**”) prepared in accordance with the International Financial Reporting Standards (the “**IFRSs**”) promulgated by the International Accounting Standards Board. The Board and its Audit Committee have reviewed and confirmed the Annual Results.

**1. BASIC INFORMATION OF THE BANK**

<b>Registered Name in Chinese:</b>	吉林九台農村商業銀行股份有限公司 (abbreviated as “九台農商銀行”)
<b>Registered Name in English:</b>	Jilin Jiutai Rural Commercial Bank Corporation Limited (abbreviated as “ <b>Jiutai Rural Commercial Bank</b> ”)
<b>Legal Representative:</b>	Gao Bing
<b>Authorized Representatives:</b>	Gao Bing, Lau Kwok Yin
<b>Board Secretary:</b>	Yuan Chunyu
<b>Joint Company Secretaries:</b>	Yuan Chunyu, Lau Kwok Yin
<b>Registered Office Address of the Bank:</b>	No. 504 Xinhua Main Street, Jiutai District, Changchun, Jilin Province, the People's Republic of China (the “ <b>PRC</b> ”)
<b>Principal Office Address of the Bank:</b>	No. 2559 Wei Shan Road, High-tech Zone, Changchun, Jilin Province, the PRC
<b>Customer Service Hotline:</b>	+86 (431) 96888
<b>Telephone:</b>	+86 (431) 8925 0628

<b>Facsimile:</b>	+86 (431) 8925 0628
<b>Company Website:</b>	www.jtnsh.com
<b>Principal Place of Business in Hong Kong:</b>	Room 15, 11th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong
<b>H Share Disclosure Websites:</b>	The Stock Exchange of Hong Kong Limited's HKEXnews website at www.hkexnews.hk The Bank's website at www.jtnsh.com
<b>Listing Place:</b>	The Stock Exchange of Hong Kong Limited (the " <b>Hong Kong Stock Exchange</b> ")
<b>Stock Short Name:</b>	JIUTAI RCB
<b>Stock Code:</b>	06122
<b>H Share Registrar:</b>	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
<b>PRC Legal Adviser:</b>	King & Wood Mallesons 17/F–18/F, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District, Beijing, the PRC
<b>Hong Kong Legal Adviser:</b>	Clifford Chance 27/F, Jardine House One Connaught Place Central Hong Kong
<b>Auditors of the Bank:</b>	<p><b><i>Domestic Auditor:</i></b> ShineWing Certified Public Accountants LLP 9/F, Block A, Fu Hua Mansion No. 8 Chao Yang Men Bei Da Jie Dongcheng District, Beijing, the PRC</p> <p><b><i>International Auditor:</i></b> SHINEWING (HK) CPA Limited 43/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong</p>

## 2. FINANCIAL SUMMARY

### 2.1 Financial Data from 2016 to 2020

(Expressed in millions of RMB,  
unless otherwise stated)

	2020	2019	2018	2017	2016
<b>Operating results</b>					
Interest income	10,371.1	8,722.5	8,602.6	9,859.4	8,487.6
Interest expenses	(5,272.6)	(4,557.1)	(5,082.5)	(5,123.5)	(3,954.3)
<b>Net interest income</b>	<b>5,098.5</b>	<b>4,165.4</b>	<b>3,520.1</b>	<b>4,735.9</b>	<b>4,533.3</b>
Fee and commission income	268.9	349.0	407.2	652.2	781.6
Fee and commission expenses	(38.3)	(32.5)	(31.6)	(37.3)	(33.9)
<b>Net fee and commission income</b>	<b>230.6</b>	<b>316.5</b>	<b>375.6</b>	<b>614.9</b>	<b>747.7</b>
Net gains arising from investment securities	46.4	21.1	11.8	259.1	387.7
Dividend income	59.4	64.7	82.2	105.9	106.6
Net trading gains	149.8	609.8	914.5	65.6	127.7
Gain on disposal of an associate	(37.1)	37.5	—	2.3	—
Losses on deemed disposal of subsidiaries	—	—	(6.2)	—	—
Net exchange gains/(losses)	10.2	5.7	15.0	(38.8)	9.3
Other operating incomes (expenses), net	(11.0)	90.7	124.6	95.4	41.8
<b>Operating income</b>	<b>5,546.8</b>	<b>5,311.4</b>	<b>5,037.6</b>	<b>5,840.3</b>	<b>5,954.1</b>
Operating expenses	(2,743.7)	(2,787.4)	(2,851.4)	(3,030.1)	(2,608.1)
Impairment losses on assets	(1,306.6)	(1,088.1)	(890.2)	(748.0)	(382.8)
<b>Operating profit</b>	<b>1,496.5</b>	<b>1,435.9</b>	<b>1,296.0</b>	<b>2,062.2</b>	<b>2,963.2</b>
Share of profits of associates	44.6	67.6	143.7	23.2	9.8
<b>Profit before tax</b>	<b>1,541.1</b>	<b>1,503.5</b>	<b>1,439.7</b>	<b>2,085.4</b>	<b>2,973.0</b>
Income tax expense	(341.4)	(307.8)	(256.1)	(447.0)	(657.2)
<b>Profit for the year</b>	<b>1,199.7</b>	<b>1,195.7</b>	<b>1,183.6</b>	<b>1,638.4</b>	<b>2,315.8</b>
<b>Profit for the year attributable to:</b>					
— Owners of the Bank	1,104.5	1,042.2	982.9	1,275.6	1,886.8
— Non-controlling interests	95.2	153.5	200.7	362.8	429.0
<b>Profit for the year</b>	<b>1,199.7</b>	<b>1,195.7</b>	<b>1,183.6</b>	<b>1,638.4</b>	<b>2,315.8</b>

(Expressed in millions of RMB,  
unless otherwise stated)

	2020	2019	2018	2017	2016
<b>Major indicators of assets/liabilities</b>					
Total assets	<b>200,363.3</b>	173,275.5	164,253.2	187,008.5	191,471.3
Of which: loans and advances to customers	<b>126,574.6</b>	93,394.2	75,354.5	76,492.2	60,286.4
Total liabilities	<b>184,112.1</b>	157,615.4	149,145.7	170,357.9	177,748.2
Of which: deposits from customers	<b>149,763.2</b>	122,840.4	109,521.2	129,881.6	127,408.7
Total equity	<b>16,251.2</b>	15,660.1	15,107.5	16,650.6	13,723.1
<b>Per share (RMB)</b>					
Net assets per share	<b>3.11</b>	3.04 (Restated) <sup>(14)</sup>	3.10	3.15	3.07
Basic earnings per share	<b>0.25</b>	0.24 (Restated) <sup>(14)</sup>	0.23	0.32	0.57
Diluted earnings per share	<b>0.25</b>	0.24 (Restated) <sup>(14)</sup>	0.23	0.32	0.57
<b>Profitability indicators (%)</b>					
Return on assets <sup>(1)</sup>	<b>0.64%</b>	0.71%	0.67%	0.87%	1.39%
Return on capital <sup>(2)</sup>	<b>7.52%</b>	7.77%	7.45%	10.79%	18.11%
Net interest spread <sup>(3)</sup>	<b>2.58%</b>	2.74%	2.36%	2.19%	2.53%
Net interest margin <sup>(4)</sup>	<b>2.75%</b>	2.75%	2.22%	2.38%	2.67%
Net fee and commission income to operating income ratio <sup>(5)</sup>	<b>4.16%</b>	5.96%	7.46%	10.53%	12.56%
Cost-to-income ratio <sup>(6)</sup>	<b>47.96%</b>	51.08%	54.72%	50.77%	41.61%
<b>Capital adequacy indicators (%)</b>					
Core tier-one capital adequacy ratio <sup>(7)</sup>	<b>9.05%</b>	9.55%	9.40%	9.47%	10.35%
Tier-one capital adequacy ratio <sup>(8)</sup>	<b>9.15%</b>	9.66%	9.50%	9.66%	10.52%
Capital adequacy ratio <sup>(9)</sup>	<b>11.37%</b>	11.98%	11.83%	12.20%	13.79%
Shareholders' equity to total assets ratio	<b>8.11%</b>	9.04%	9.20%	8.90%	7.17%
<b>Assets quality indicators (%)</b>					
Non-performing loan ratio <sup>(10)</sup>	<b>1.63%</b>	1.68%	1.75%	1.73%	1.41%
Provision coverage ratio <sup>(11)</sup>	<b>164.82%</b>	167.58%	160.41%	171.48%	206.57%
Provision to total loan ratio <sup>(12)</sup>	<b>2.69%</b>	2.82%	2.80%	2.96%	2.92%
<b>Other indicators (%)<sup>(13)</sup></b>					
Loan to deposit ratio	<b>86.85%</b>	78.23%	70.79%	60.69%	48.74%

Notes:

- (1) Calculated by dividing the net profit for a year by the average balance of total assets at the beginning and the end of that year.
- (2) Calculated by dividing the net profit for a year by the average balance of total equity at the beginning and at the end of that year.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost on total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by average interest-earning assets.
- (5) Calculated by dividing net fee and commission income by operating income.
- (6) Calculated by dividing total operating expenses (net of tax and surcharges) by operating income.
- (7) Core tier-one capital adequacy ratio = (core tier-one capital — corresponding capital deductions)/risk-weighted assets\*100%.
- (8) Tier-one capital adequacy ratio = (tier-one capital — corresponding capital deductions)/risk-weighted assets\*100%.
- (9) Capital adequacy ratio = (total capital – corresponding capital deductions)/risk-weighted assets\*100%.
- (10) Non-performing loan ratio = total non-performing loans/total loans and advances to customers\*100%.
- (11) Provision coverage ratio = total provision for impairment losses on loans and advances to customers/total non-performing loans\*100%.
- (12) Provision to total loan ratio = total provision for impairment losses on loans and advances to customers/total loans and advances to customers\*100%.
- (13) The relevant indicator refers to the ratio the Bank reports to the China Banking and Insurance Regulatory Commission (the “**CBIRC**”) and calculated in accordance with PRC GAAP and relevant requirements of the CBIRC regarding financial data.
- (14) The weighted average number of ordinary shares in issue during the year ended 31 December 2019 has been adjusted retrospectively taking into account the capitalisation issue of 209,201,878 ordinary shares and 199,239,885 ordinary shares as if the capitalisation issue on 14 August 2020 and 16 August 2019 respectively had been completed on 1 January 2019.

### 3. MANAGEMENT DISCUSSIONS AND ANALYSIS

#### 3.1 Environment and Outlook

Looking forward to 2021, COVID-19 pandemic will bring a turbulent change to the whole world. Economic and trading environments will be subject to great uncertainties and global governance will still encounter considerable difficulties. Nonetheless, with the rollout of vaccination program, the global economy is expected to restart with difficulties and enter a period with “restorative growth”.

2021 marks the first year of the “Fourteenth Five-Year Plan (十四五規劃)” of China as well as the new initiative of building a modern socialist China in all aspects. Despite various challenges faced by the domestic economy, under the new dual circulation development strategy that focuses on the domestic economic cycle with international economic cycle as extension and supplement, China will implement more proactive fiscal policies with enhanced quality, efficiency and sustainability, and prudent, flexible and reasonable monetary policies. The Chinese economy will see a strong recovery driven by the new round of green transformation, innovation, quality enhancement and upgrading, expansion of domestic demand and economic reformation and opening-up. In addition, the ongoing financial reform will provide small-and-medium-sized banks with multiple channels for replenishing capital. The rank of Jilin among all provinces across China in terms of economic development has moved up. The “Third Five-Year Strategy (三個五戰略)” has been fully implemented, pursuant to which the development of three regions, namely the Central Jilin, the Eastern Jilin and the Western Jilin, has been coordinated and the industry development pattern of “one dome, six double-pillars (一主六雙)” has been formulated. The National Urban-rural Integration Pilot Zone (國家城鄉融合發展試驗區) has been established in Changji junction region and the rural revitalization strategy has been in full swing. Grasping the opportunities brought by the above factors, rural commercial banks will gain huge local advantages to grow further and have a solid foundation for high-quality development.

With the implementation of the “Fourteenth Five-Year Plan (十四五規劃)”, a new era will begin. Looking forward, the Bank will closely follow national policies and focus on regional development in pursuit of stable growth. The Bank will focus on providing services to entities and strive to enhance its quality and effectiveness. The Bank will also continue to construct the “Four in One Mechanism (四位一體)” which integrates finance for “three rurals, community finance, cooperation platform and charity works”. The Bank aims to foster high-quality development through focusing on its principal business, restructuring its business while providing services to entities, preventing and controlling risks while operating prudently and adapting itself in the new development pattern of “dual circulation”.

## **3.2 Development Strategies**

The Group's strategic goal is to position itself as a professional financial services provider with unique values and strong competitive abilities in order to build a first-class modern rural commercial bank in the PRC with strong brand value. To achieve its goal, the Group plans to: (i) reinforce advantages in banking services for the "three rurals ( 三農 )" and Small and Medium Enterprises (the "SMEs"); (ii) exploit the growth potential of personal financial services to promote the growth of its retail banking business; (iii) develop emerging businesses to promote the transformation of the growth model; (iv) further strengthen the Group's risk management and internal control; and (v) recruit, train, retain and motivate high-quality talent.

## **3.3 Overall Business Review**

In 2020, in the face of severe and complicated economic and financial situations and tough challenges brought by the pandemic, the Group strictly followed all regulatory requirements. Through taking initiatives in pandemic prevention, maintaining stable growth, structural adjustment and risk control, the Group successfully maintained stable growth in an orderly manner.

The Group recorded a total operating income of RMB5,546.8 million in 2020, representing an increase of 4.4% as compared to RMB5,311.4 million in 2019. The Group's net profit increased by 0.3% from RMB1,195.7 million in 2019 to RMB1,199.7 million in 2020.

As of December 31, 2020, the Group's total assets amounted to RMB200,363.3 million, representing a year-on-year increase of 15.6%; total loans and advances to customers amounted to RMB130,076.5 million, representing a year-on-year increase of 35.3%; the non-performing loan ratio amounted to 1.63%, representing a year-on-year decrease of 0.05 percentage point; total deposits from customers amounted to RMB149,763.2 million, representing a year-on-year increase of 21.9%.



**(a) Analysis of the Consolidated Statement of Profit or Loss**

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2020	2019	Change in amount	Change in percentage (%)
Interest income	<b>10,371.1</b>	8,722.5	1,648.6	18.9
Interest expense	<b>(5,272.6)</b>	(4,557.1)	(715.5)	15.7
<b>Net interest income</b>	<b>5,098.5</b>	4,165.4	933.1	22.4
Fee and commission income	<b>268.9</b>	349.0	(80.1)	(23.0)
Fee and commission expenses	<b>(38.3)</b>	(32.5)	(5.8)	17.8
<b>Net fee and commission income</b>	<b>230.6</b>	316.5	(85.9)	(27.1)
Net gains arising from investment securities	<b>46.4</b>	21.1	25.3	119.9
Dividend income	<b>59.4</b>	64.7	(5.3)	(8.2)
Net trading gains	<b>149.8</b>	609.8	(460.0)	(75.4)
Gain on disposal of an associate	<b>(37.1)</b>	37.5	(74.6)	(198.9)
Losses on deemed disposal of subsidiaries	—	—	—	—
Net exchange gains/(losses)	<b>10.2</b>	5.7	4.5	78.9
Other operating incomes (expenses), net	<b>(11.0)</b>	90.7	(101.7)	(112.1)
<b>Operating income</b>	<b>5,546.8</b>	5,311.4	235.4	4.4
Operating expenses	<b>(2,743.7)</b>	(2,787.4)	43.7	(1.6)
Impairment losses on assets	<b>(1,306.6)</b>	(1,088.1)	(218.5)	20.1
<b>Operating profit</b>	<b>1,496.5</b>	1,435.9	60.6	4.2
Share of profits of associates	<b>44.6</b>	67.6	(23.0)	(34.0)
<b>Profit before tax</b>	<b>1,541.1</b>	1,503.5	37.6	2.5
Income tax expense	<b>(341.4)</b>	(307.8)	(33.6)	10.9
<b>Profit for the year</b>	<b>1,199.7</b>	1,195.7	4.0	0.3
<b>Profit for the year attributable to:</b>				
— Owners of the Bank	<b>1,104.5</b>	1,042.2	62.3	6.0
— Non-controlling interests	<b>95.2</b>	153.5	(58.3)	(38.0)
<b>Profit for the year</b>	<b>1,199.7</b>	1,195.7	4.0	0.3

In 2020, the Group's profit before tax was RMB1,541.1 million, representing a year-on-year increase of 2.5%; profit for the year was RMB1,199.7 million, representing a year-on-year increase of 0.3%. It was mainly due to the increase in net interest income following to



the increase in the interest-earning assets and the structural adjustment of the Group, which was partially offset by the decrease in net fee and commission income and net trading gains and the increase in impairment losses on assets.

**(i) Net interest income**

Net interest income was the largest component of the Group's operating income, representing 78.4% and 91.9% of operating income in 2019 and 2020, respectively. The table below sets forth the interest income, interest expense and net interest income for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2020	2019	Change in amount	Change in percentage (%)
Interest income	<b>10,371.1</b>	8,722.5	1,648.6	18.9
Interest expense	<b>(5,272.6)</b>	(4,557.1)	(715.5)	15.7
<b>Net interest income</b>	<b><u>5,098.5</u></b>	<u>4,165.4</u>	<u>933.1</u>	22.4

The table below sets forth the average balance of the Group's interest-earning assets and interest-bearing liabilities, the related interest income or expense and the average yield or average cost for the periods indicated. The average balance of interest-earning assets and interest-bearing liabilities are the average of the daily balances.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2020			Year ended December 31, 2019		
	Average balance	Interest income	Average yield/cost (%)	Average balance	Interest income	Average yield/cost (%)
<b>Interest-earning Assets</b>						
Loans and advances to customers	117,552.0	8,273.5	7.04	86,555.3	6,489.1	7.50
Investment securities and other financial assets <sup>(1)</sup>	32,762.2	1,469.8	4.49	29,040.9	1,465.6	5.05
Financial assets held under resale agreements	7,300.8	188.5	2.58	2,438.1	72.7	2.98
Deposits with banks and other financial institutions	10,586.8	154.9	1.46	16,986.6	410.5	2.42
Deposits with the central bank <sup>(2)</sup>	14,335.3	186.6	1.30	14,175.9	195.5	1.38
Placements with banks and other financial institutions	<u>2,578.1</u>	<u>97.8</u>	<u>3.79</u>	<u>2,095.7</u>	<u>89.1</u>	<u>4.25</u>
<b>Total interest-earning assets</b>	<b><u>185,115.2</u></b>	<b><u>10,371.1</u></b>	<b>5.60</b>	<b><u>151,292.5</u></b>	<b><u>8,722.5</u></b>	<b>5.77</b>

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2020			Year ended December 31, 2019		
	Average balance	Interest income	Average yield/cost (%)	Average balance	Interest income	Average yield/cost (%)
<b>Interest-bearing Liabilities</b>						
Deposits from customers	138,741.3	3,969.0	2.86	114,525.7	3,248.5	2.84
Financial assets sold under repurchase agreements	5,777.1	110.3	1.91	6,954.5	159.0	2.29
Deposits from banks and other financial institutions	10,471.9	395.8	3.78	7,087.0	197.7	2.79
Debt securities issued <sup>(3)</sup>	10,762.8	452.9	4.21	17,386.1	796.4	4.58
Placements from banks and other financial institutions	6,269.9	271.6	4.33	2,961.7	88.6	2.99
Borrowing from the central bank	1,913.4	42.6	2.23	1,183.5	32.0	2.70
Lease liabilities	654.9	30.4	4.64	711.9	34.9	4.90
<b>Total interest-bearing liabilities</b>	<b>174,591.3</b>	<b>5,272.6</b>	<b>3.02</b>	<b>150,810.4</b>	<b>4,557.1</b>	<b>3.03</b>
<b>Net interest income</b>		<b>5,098.5</b>			<b>4,165.4</b>	
<b>Net interest spread<sup>(4)</sup></b>			<b>2.58</b>			<b>2.74</b>
<b>Net interest margin<sup>(5)</sup></b>			<b>2.75</b>			<b>2.75</b>

Notes:

- (1) Investment securities and other financial assets include the financial assets at fair value through other comprehensive income and financial assets at amortized cost.
- (2) Primarily consist of statutory deposit reserves, surplus deposit reserves and fiscal deposit reserves.
- (3) Primarily consist of tier-two capital bonds, subordinated fixed rate bonds and interbank certificates.
- (4) Represents the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (5) Calculated by dividing net interest income by the average balance of interest-earning assets (based on the daily average of the interest-earning assets).

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

(Expressed in millions of RMB, unless otherwise stated)	2020 vs 2019		
	Volume <sup>(1)</sup>	Interest rate <sup>(2)</sup>	Net Increase/ (decrease) <sup>(3)</sup>
<b>Interest-earning Assets</b>			
Loans and advances to customers	2,181.6	(397.2)	1,784.4
Investment securities and other financial assets	166.9	(162.7)	4.2
Financial assets held under resale agreements	125.6	(9.8)	115.8
Deposits with banks and other financial institutions	(93.6)	(162.0)	(255.6)
Deposits with the central bank	2.1	(11.0)	(8.9)
Placements with banks and other financial institutions	18.3	(9.6)	8.7
<b>Changes in interest income</b>	<u>2,400.9</u>	<u>(752.3)</u>	<u>1,648.6</u>
<b>Interest-bearing Liabilities</b>			
Deposits from customers	692.7	27.8	720.5
Financial assets sold under repurchase agreements	(22.5)	(26.2)	(48.7)
Deposits from banks and other financial institutions	127.9	70.2	198.1
Debt securities issued	(278.7)	(64.8)	(343.5)
Placements from banks and other financial institutions	143.3	39.7	183.0
Borrowing from the central bank	16.3	(5.7)	10.6
Lease liabilities	(2.6)	(1.9)	(4.5)
<b>Changes in interest expense</b>	<u>676.4</u>	<u>39.1</u>	<u>715.5</u>
<b>Changes in net interest income</b>	<u>1,724.5</u>	<u>(791.4)</u>	<u>933.1</u>

Notes:

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

**(ii) Interest income**

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
Loans and advances to customers	8,273.5	79.8	6,489.1	74.4
Investment securities and other financial assets	1,469.8	14.2	1,465.6	16.8
Financial assets held under resale agreements	188.5	1.8	72.7	0.8
Deposits with banks and other financial institutions	154.9	1.5	410.5	4.7
Deposits with the central bank	186.6	1.8	195.5	2.3
Placements with banks and other financial institutions	97.8	0.9	89.1	1.0
<b>Total</b>	<b>10,371.1</b>	<b>100.0</b>	<b>8,722.5</b>	<b>100.0</b>

The Group's interest income increased by 18.9% from RMB8,722.5 million in 2019 to RMB10,371.1 million in 2020, primarily due to the increase in the average balance of interest-earning assets from RMB151,292.5 million in 2019 to RMB185,115.2 million in 2020, which was partially offset by the decrease in the average yield of such assets from 5.77% in 2019 to 5.60% in 2020. The increase in the average balance of interest-earning assets was primarily due to the increases in the average balances of loans and advances to customers, investment securities and other financial assets, financial assets held under resale agreements, deposits with the central bank and placements with banks and other financial institutions, which was partially offset by the decrease in the average balance of deposits with banks and other financial institutions. The decrease in the average yield on interest-earning assets was primarily due to the decreases in the average yields on loans and advances to customers, investment securities and other financial assets, financial assets held under resale agreements, deposits with banks and other financial institutions, deposits with the central bank and placement with bank and other financial institutions.

**(A) Interest income from loans and advances to customers**

Interest income from loans and advances to customers represented 74.4% and 79.8% of the Group's total interest income in 2019 and 2020, respectively.

The table below sets forth the average balance, interest income and average yield on loans and advances to customers by product for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,					
	2020			2019		
	Average balance	Interest income	Average yield (%)	Average balance	Interest income	Average yield (%)
Corporate loan and advances						
— Loan	90,967.6	6,418.1	7.06	62,261.1	4,749.2	7.63
— Finance leases loan	2,131.4	124.4	5.84	1,905.9	134.9	7.08
Retail loans	22,987.3	1,692.5	7.36	22,112.9	1,596.8	7.22
Discounted bills	1,465.7	38.5	2.63	275.4	8.2	2.98
<b>Total loans and advances to customers</b>	<b>117,552.0</b>	<b>8,273.5</b>	<b>7.04</b>	<b>86,555.3</b>	<b>6,489.1</b>	<b>7.50</b>

Being the largest component of the Group's interest income, the interest income from loans and advances to customers increased by 27.5% from RMB6,489.1 million in 2019 to RMB8,273.5 million in 2020, which was mainly due to the increase in the average balance of loans and advances to customers by 35.8% from RMB86,555.3 million to RMB117,552.0 million in 2020, which was partially offset by the decrease in the average yield, such assets from 7.50% in 2019 to 7.04% in 2020. The increase in the average balance of such assets was primarily due to the increase in loans by the Group to support the development of real economy and facilitate the resumption of operation and production of enterprises affected by the pandemic. The decrease in the average yield on such assets was primarily due to the decrease of financing cost in real economy and the implementation of tasks of "six stability" and "six guarantees" by reducing the fees and interest rate of loans with an aim to support the development of real economy and the impact of the decrease in loan prime rate (LPR).

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

Interest income from investment securities and other financial assets increased by 0.3% from RMB1,465.6 million in 2019 to RMB1,469.8 million in 2020, primarily due to an increase in the average balance of investment securities and other financial assets from RMB29,040.9 million in 2019 to RMB32,762.2 million in 2020, which was partially offset by a decrease in the average yield on such assets from 5.05% in 2019 to 4.49% in 2020. The increase in the average balance of such assets was primarily due to the increase in income as a result of the reasonable

increase in the investment in debt securities by the Group based on the trend of capital market in order to enhance the efficiency of fund use while maintaining strict risk control. The decrease in the average yield on such assets was primarily due to the decrease in market interest rate.

***(C) Interest income from financial assets held under resale agreements***

Interest income from financial assets held under resale agreements increased by 159.3% from RMB72.7 million in 2019 to RMB188.5 million in 2020, primarily due to an increase in the average balance of the financial assets held under resale agreements, from RMB2,438.1 million in 2019 to RMB7,300.8 million in 2020, which was partially offset by the decrease in the average yield on such assets from 2.98% in 2019 to 2.58% in 2020. The increase in the average balance of such assets was primarily attributable to the adjustment of the scale of such assets in order to balance the yield and liquidity requirement of the Group. The decrease in the average yield on such assets was primarily due to the decrease in market interest rate.

***(D) Interest income from deposits with banks and other financial institutions***

Interest income from deposits with banks and other financial institutions decreased by 62.3% from RMB410.5 million in 2019 to RMB154.9 million in 2020, primarily due to the decrease in the average balance of deposits with banks and other financial institutions from RMB16,986.6 in 2019 to RMB10,586.8 in 2020, and the decrease in the average yield on such assets from 2.42% in 2019 to 1.46% in 2020. The decrease in the average balance of such assets was primarily due to the reasonable adjustment of interbank assets structure according to the business needs of the Group by withdrawing certain deposits with banks and other financial institutions on due. The decrease in the average yield on such assets was primarily due to the decrease in market interest rate.

***(E) Interest income from deposits with the central bank***

Interest income from deposits with the central bank decreased by 4.6% from RMB195.5 million in 2019 to RMB186.6 million in 2020, primarily due to the decrease in the average yield on deposits with the central bank from 1.38% in 2019 to 1.30% in 2020, which was partially offset by the increase in the average balance of such assets from RMB14,175.9 million in 2019 to RMB14,335.3 million in 2020. The increase in average balance of such assets was primarily due to the increase in the total deposits of the Group. The decrease in the average yield on such assets was primarily due to the reduction of reserve ratio for excess deposits of financial institutions by the central bank.

### (iii) Interest expenses

The table below sets forth the principal components of the Group's interest expenses for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
Deposits from customers	3,969.0	75.3	3,248.5	71.3
Financial assets sold				
under repurchase agreements	110.3	2.1	159.0	3.5
Deposits from banks and				
other financial institutions	395.8	7.5	197.7	4.3
Debt securities issued	452.9	8.6	796.4	17.5
Placements from banks and				
other financial institutions	271.6	5.2	88.6	1.9
Borrowings from the central bank	42.6	0.8	32.0	0.7
Lease liabilities	30.4	0.5	34.9	0.8
<b>Total</b>	<b>5,272.6</b>	<b>100.0</b>	<b>4,557.1</b>	<b>100.0</b>

#### (A) Interest expenses on deposits from customers

The table below sets forth the average balance, interest expense and average cost for the components of deposits from customers for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,					
	2020			2019		
	Average balance	Interest expense	Average yield (%)	Average balance	Interest expense	Average yield (%)
<b>Corporate deposits</b>						
Time	8,425.2	308.1	3.66	13,637.3	573.1	4.20
Demand	32,231.0	849.4	2.64	27,769.9	472.5	1.70
<b>Subtotal</b>	<b>40,656.2</b>	<b>1,157.5</b>	<b>2.85</b>	<b>41,407.2</b>	<b>1,045.6</b>	<b>2.53</b>
<b>Retail deposits</b>						
Time	76,216.5	2,406.6	3.16	53,473.5	1,896.0	3.55
Demand	21,868.6	404.9	1.85	19,645.0	306.9	1.56
<b>Subtotal</b>	<b>98,085.1</b>	<b>2,811.5</b>	<b>2.87</b>	<b>73,118.5</b>	<b>2,202.9</b>	<b>3.01</b>
<b>Total deposits from customers</b>	<b>138,741.3</b>	<b>3,969.0</b>	<b>2.86</b>	<b>114,525.7</b>	<b>3,248.5</b>	<b>2.84</b>



Interest expenses on deposits from customers increased by 22.2% from RMB3,248.5 million in 2019 to RMB3,969.0 million in 2020, primarily due to an increase in the average balance of deposits from customers from RMB114,525.7 million in 2019 to RMB138,741.3 million in 2020 as well as an increase in the average cost of such liabilities from 2.84% in 2019 to 2.86% in 2020. The increase in average balance of such liabilities was primarily due to the increase in total deposits attributable to the Group's efforts in targeted marketing, upgrade and transformation of outlets and expansion of customer base. The increase in the average cost of such liabilities was primarily due to the more intensified market competition.

***(B) Interest expenses on financial assets sold under repurchase agreements***

Interest expenses on financial assets sold under repurchase agreements decreased by 30.6% from RMB159.0 million in 2019 to RMB110.3 million in 2020, primarily due to a decrease in the average balance of financial assets sold under repurchase agreements from RMB6,954.5 million in 2019 to RMB5,777.1 million in 2020, as well as a decrease in the average cost of such liabilities from 2.29% in 2019 to 1.91% in 2020. The decrease in the average cost of such liabilities was primarily due to the decrease in market interest rate. The decrease in the average balance of such liabilities was mainly the result of the timely adjustment of liabilities structure of the Group according to its actual business condition and the needs of liquidity management.

***(C) Interest expenses on deposits from banks and other financial institutions***

Interest expenses on deposits from banks and other financial institutions increased by 100.2% from RMB197.7 million in 2019 to RMB395.8 million in 2020, mainly due to an increase in the average balance of the deposits from banks and other financial institutions from RMB7,087.0 million in 2019 to RMB10,471.9 million in 2020, and an increase in the average cost of such liabilities from 2.79% in 2019 to 3.78% in 2020. The increase in the average balance of such liabilities was primarily due to the moderate increase in funds from banks as the Group adjusted its liabilities structure reasonably based on its actual business needs. The increase in the average cost of such liabilities was primarily due to the maturity structure of the relevant deposits and the fluctuation in market interest rate.

***(D) Interest expenses on debt securities issued***

Interest expenses on debt securities issued decreased by 43.1% from RMB796.4 million in 2019 to RMB452.9 million in 2020, mainly due to the decrease in the average balance of the debt securities issued from RMB17,386.1 million in 2019 to RMB10,762.8 million in 2020, and the decrease in the average cost of such liabilities from 4.58% in 2019 to 4.21% in 2020. The decrease in the average balance of such liabilities was primarily due to the higher amount of interbank certificates of the Group due as compared with the newly issued interbank certificates. The decrease in the average cost of such liabilities was mainly due to the lower interest rate of interbank certificates issued during the year.

#### (iv) Net interest spread and net interest margin

Net interest spread is the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities. Net interest margin is the ratio of net interest income to the average balance of interest-earning assets.

Net interest margin in 2020 was 2.75%, which remained stable as compared with 2019, net interest spread decreased by 0.16 percentage point from 2.74% in 2019 to 2.58% in 2020, primarily due to a decrease in the Group's average yield on interest-earning assets by 0.17 percentage point from 5.77% in 2019 to 5.60% in 2020, which was primarily due to (i) the decrease in the average yield on loans and advances to customers when compared with the corresponding period of last year as the Group reduced the fees and interest rate of loans to certain enterprises affected by the pandemic and proactively lowered the financing cost for the real economy and the Group was affected by the decrease in loan prime rate (LPR); (ii) the decrease in the average yield on treasury operations as affected by the fluctuation in market price; (iii) the decrease in the average yield on the deposits with the central bank as the central bank lowered the reserve ratio for excess deposits of financial institutions.

#### (v) Non-interest income

##### (A) Net fee and commission income

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2020	2019	Change in amount	Change in Percentage (%)
<b>Fee and commission income</b>				
Advisory fees	137.4	227.2	(89.8)	(39.5)
Syndicated loan service fees	59.5	59.2	0.3	0.5
Settlement and clearing fees	29.4	25.5	3.9	15.3
Agency services fees	18.5	27.1	(8.6)	(31.7)
Wealth management service fees	19.5	1.6	17.9	1,118.8
Bank card service fees	4.0	4.1	(0.1)	(2.4)
Others <sup>(1)</sup>	0.6	4.3	(3.7)	(86.0)
<b>Subtotal</b>	<b>268.9</b>	<b>349.0</b>	<b>(80.1)</b>	<b>(23.0)</b>
<b>Fee and commission expense</b>	<b>(38.3)</b>	<b>(32.5)</b>	<b>(5.8)</b>	<b>17.8</b>
<b>Net fee and commission income</b>	<b>230.6</b>	<b>316.5</b>	<b>(85.9)</b>	<b>(27.1)</b>

Note:

- (1) Primarily consists of fee income from loan business, fee and commission of guarantees and commitments and income from safe deposit box business.

Net fee and commission income decreased by 27.1% from RMB316.5 million in 2019 to RMB230.6 million in 2020, primarily due to the decrease in advisory fees, agency services fees, bank card service fees and other fees, which was partially offset by the increase in syndicated loan service fees, settlement and clearing fees and wealth management service fees.

Advisory fees income amounted to RMB137.4 million in 2020, representing a decrease of RMB89.8 million, or 39.5%, as compared to 2019, mainly due to the decrease in advisory services of the Group as affected by the decreased market demands.

Syndicated loan service fees income amounted to RMB59.5 million in 2020, representing an increase of RMB0.3 million, or 0.5%, as compared to 2019, which remained stable as compared with the corresponding period last year.

Settlement and clearing fees income amounted to RMB29.4 million in 2020, representing an increase of RMB3.9 million, or 15.3%, as compared to 2019, mainly due to increase in the transaction volume of settlement business.

Agency service fees income amounted to RMB18.5 million in 2020, representing a decrease of RMB8.6 million, or 31.7%, as compared to 2019, mainly due to decrease in the transaction volume of agency business.

Wealth management service fees income amounted to RMB19.5 million in 2020, representing an increase of RMB17.9 million, or 1,118.8%, as compared to 2019, mainly due to the increase in the issue size of non-principal guaranteed wealth management products.

Bank card service fees income amounted to RMB4.0 million in 2020, representing a decrease of RMB0.1 million, or 2.4%, as compared to 2019, mainly due to the decrease in the transaction volume of bank cards.

Fee and commission expenses mainly included fees paid to third parties for settlement, clearing and agency services. Fee and commission expenses increased by 17.8% from RMB32.5 million in 2019 to RMB38.3 million in 2020, mainly due to the increase in the transaction volume of settlement business.

***(B) Net gains arising from investment securities***

Net gains arising from investment securities included net gains from selling investment securities and other financial assets and revaluation gains resulting from the reclassification from other consolidated income to profits or losses upon the disposal of assets.

Net gains arising from investment securities increased by 119.9% from RMB21.1 million in 2019 to RMB46.4 million in 2020. The increase was mainly due to the increase in gains arising from the disposal of investment assets such as debt securities in a timely manner as the Group enhanced market analysis and grasped appropriate opportunities.

***(C) Dividend income***

Dividend income decreased by 8.2% from RMB64.7 million in 2019 to RMB59.4 million in 2020. The decrease was mainly due to the reduction in the actual dividend distribution of invested institutions such as non-controlling rural commercial banks.

***(D) Net trading gains***

Net trading gains primarily include gains and interest income from selling, and the fair value changes of, debt securities held for trading and wealth management products issued by other financial institutions. Net trading gains decreased by 75.4% from RMB609.8 million in 2019 to RMB149.8 million in 2020, mainly due to the decrease in financial assets at fair value through profit or loss held by the Group, resulting in a decrease in interest income and fair value.

***(E) Net exchange gains/(losses)***

Net exchange gains mainly included net gains arising out of foreign exchange settlement and foreign exchange transactions. Net exchange gains increased by 78.9% from RMB5.7 million in 2019 to RMB10.2 million in 2020, mainly due to increase in the trading gains from foreign exchange and the fluctuation in foreign currency exchange rate.

***(F) Other operating (expense) income, net***

Other operating (expense) income, net mainly included government subsidies and non-recurring income such as insurance claim, net of non-recurring expenses such as charitable donation. Other operating (expense) income, net decreased by 112.1% from RMB90.7 million in 2019 to RMB(11.0) million in 2020, which was mainly due to the decrease in non-recurring income and increase in charitable donation expenses during the period.

**(vi) Operating expenses**

Operating expenses decreased by 1.6% from RMB2,787.4 million in 2019 to RMB2,743.7 million in 2020. The decrease was primarily due to the decrease in staff costs and general management and administrative expenses, which was partially offset by the increase in properties and equipment expenses and tax and surcharges.

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2020	2019	Change in amount	Change in Percentage (%)
Staff cost	<b>1,592.1</b>	1,648.9	(56.8)	(3.4)
Property and equipment expenses	<b>641.8</b>	587.3	54.5	9.3
General management and administrative expenses	<b>426.3</b>	476.9	(50.6)	(10.6)
Tax and surcharges	<b>83.5</b>	74.3	9.2	12.4
<b>Total</b>	<b><u>2,743.7</u></b>	<b><u>2,787.4</u></b>	<b><u>(43.7)</u></b>	<b>(1.6)</b>

**(A) Staff costs**

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2020	2019	Change in amount	Change in Percentage (%)
Salaries and bonuses	<b>1,218.5</b>	1,149.0	69.5	6.0
Social insurance	<b>143.4</b>	292.5	(149.1)	(51.0)
Staff welfares	<b>106.2</b>	93.1	13.1	14.1
Housing allowances	<b>99.5</b>	87.9	11.6	13.2
Labor union and staff education expenses	<b>24.5</b>	26.4	(1.9)	(7.2)
<b>Total staff costs</b>	<b><u>1,592.1</u></b>	<b><u>1,648.9</u></b>	<b><u>(56.8)</u></b>	<b>(3.4)</b>

Staff costs decreased by 3.4% from RMB1,648.9 million in 2019 to RMB1,592.1 million in 2020. The decrease in staff costs was primarily due to the decrease in social insurance premium paid by the Group as a result of a short-term concession of social insurance under the preferential policies during the pandemic period, which was partially offset by the increase in salaries and bonuses, staff welfares and housing allowances, paid to staff.

***(B) Property and equipment expenses***

Property and equipment expenses increased by 9.3% from RMB587.3 million in 2019 to RMB641.8 million in 2020. The increase in property and equipment expenses was mainly due to the increase in depreciation on properties owned by newly established outlets and depreciation on right-of-use assets for leased properties of the Group.

***(C) General management and administrative expenses***

General management and administrative expenses mainly included business promotion fees, transportation fee in relation to the delivery of cash and repair expenses. General management and administrative expenses decreased by 10.6% from RMB476.9 million in 2019 to RMB426.3 million in 2020. The decrease in general management and administrative expenses was primarily due to the more effective control of costs and expenses as a result of the Group's efforts in further improving costs and budget management with more refined management of expenditure.

***(D) Tax and surcharges***

Tax and surcharges increased by 12.4% from RMB74.3 million in 2019 to RMB83.5 million in 2020. The increase in tax and surcharges were primarily due to the increase in tax surcharge as a result of the increase in value-added tax paid during the year over the previous year as well as the increase in deed taxes actually paid by the Group.

**(vii) Impairment losses on assets**

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

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,			
	2020	2019	Change in amount	Change in Percentage (%)
Loans and advances to customers	<b>863.6</b>	602.5	261.1	43.3
Debt securities financial assets at fair value through other comprehensive income	<b>(5.9)</b>	4.9	(10.8)	(220.4)
Financial investments at amortized cost	<b>358.9</b>	470.3	(111.4)	(23.7)
Deposits with banks and other financial institutions	<b>(0.4)</b>	(5.6)	5.2	(92.9)
Placements with banks and other financial institutions	<b>(0.2)</b>	(1.1)	0.9	(81.8)
Other receivables and repossessed assets	<b>47.5</b>	17.1	30.4	177.8
Financial assets held under resale agreements	—	—	—	—
Provision for credit commitments and financial guarantees	<b>43.1</b>	(0.0)	43.1	100.0
<b>Total</b>	<b><u>1,306.6</u></b>	<b><u>1,088.1</u></b>	<b><u>218.5</u></b>	<b>20.1</b>

Impairment losses on assets increased by 20.1% from RMB1,088.1 million in 2019 to RMB1,306.6 million in 2020. The increase in impairment losses on assets was mainly due to the increase in provisions for impairment loss of assets along with the growth in loans and advances to customers in order to strengthen its risk resistance ability under the principle of prudence and stability and upon taking account into the uncertain factors including changes in external economic conditions.

**(viii) Income tax expense**

Income tax expense increased by 10.9% from RMB307.8 million in 2019 to RMB341.4 million in 2020. The effective tax rate in 2020 and 2019 was 22.2% and 20.5%, respectively. The increase in income tax expense was due to the increases in profit before tax and effective tax rates. The higher effective tax rate in 2020 was mainly due to the decrease in the percentage of non-taxable income (including dividend income, interest income from investment of treasury bonds and local government debt securities and interest income from small loans to agricultural households).



## (b) Analysis of the Consolidated Statement of Financial Position

### (i) Assets

As of December 31, 2020 and 2019, the Group's total assets amounted to RMB200,363.3 million and RMB173,275.5 million, respectively. Major components of total assets include (i) loans and advances to customers; (ii) investment securities and other financial assets; (iii) deposits with banks and other financial institutions; (iv) cash and deposits with the central bank; (v) financial assets held under resale agreements; and (vi) placements with banks and other financial institutions. The table below sets forth the components of total assets as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
<b>Assets</b>				
Total loans and advances				
to customers	<b>130,076.5</b>	<b>64.9</b>	96,104.0	55.5
Provision for impairment losses	<b>(3,501.9)</b>	<b>(1.7)</b>	(2,709.8)	(1.6)
Loans and advances				
to customers, net	<b>126,574.6</b>	<b>63.2</b>	93,394.2	53.9
Investment securities and other financial assets <sup>(1)</sup>	<b>30,499.0</b>	<b>15.2</b>	39,218.2	22.6
Deposits with banks and other financial institutions	<b>8,396.7</b>	<b>4.2</b>	6,193.3	3.6
Cash and deposits with the central bank	<b>25,155.0</b>	<b>12.6</b>	23,626.4	13.6
Financial assets held under resale agreements	<b>1,102.0</b>	<b>0.6</b>	100.0	0.1
Placements with banks and other financial institutions	<b>729.3</b>	<b>0.4</b>	1,814.0	1.0
Other assets <sup>(2)</sup>	<b>7,906.7</b>	<b>3.8</b>	8,929.4	5.2
<b>Total assets</b>	<b><u>200,363.3</u></b>	<b><u>100.0</u></b>	<b><u>173,275.5</u></b>	<b><u>100.0</u></b>

Notes:

- (1) Include financial assets at amortized cost, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income.
- (2) Primarily consist of property and equipment, goodwill, other receivables and prepayments, interest receivables, deferred tax assets, repossessed assets, interests in associates and right-of-use assets.

**(A) Loans and advances to customers**

As of December 31, 2020, the Group's total loans and advances to customers was RMB130,076.5 million, representing an increase of 35.3% as compared to December 31, 2019. Net loans and advances to customers accounted for 63.2% of the Group's total assets, representing an increase of 9.3% as compared to December 31, 2019.

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Corporate loan and advances				
— Loan	103,553.4	79.6	71,018.4	73.9
— Finance leases loan	2,077.8	1.6	2,251.8	2.3
Retail loans	24,445.3	18.8	22,833.8	23.8
Discounted bills	—	—	—	—
<b>Total loans and advances to customers</b>	<b>130,076.5</b>	<b>100.0</b>	<b>96,104.0</b>	<b>100.0</b>

Loans and advances to customers are the largest component of total assets. The Group offers a variety of loan products, substantially all of which are denominated in Renminbi. Loans and advances to customers, net of provision for impairment losses, represented 63.2% and 53.9% of total assets as of December 31, 2020 and 2019, respectively.

The Group's corporate loans increased by 44.2% from RMB73,270.2 million as of December 31, 2019 to RMB105,631.2 million as of December 31, 2020, primarily due to the increase in loans in order to fully support the prevention and control of the pandemic and resumption of operation and production of enterprises and to provide assistance to the development of medium, small and micro enterprises through further enriching the financial services, extend the service coverage and increase in the scale of credit.

The Group's retail loans mainly comprise of personal business loans, personal consumption loans and residential and commercial mortgage loans. The Group's retail loans increased by 7.1% from RMB22,833.8 million as of December 31, 2019 to RMB24,445.3 million as of December 31, 2020, primarily due to the increase in loans as a result of the Group's enhanced credit support for the three rurals and individual industrial and commercial households in order to promote poverty alleviation and rural revitalization and fulfillment of increasing reasonable demands from individual customers for residential and commercial mortgages.

## Loans by Collateral

Collateralized loans, pledged loans and guaranteed loans in the aggregate represented 98.0% and 96.5% of total loans and advances to customers as of December 31, 2020 and 2019, respectively. If a loan is secured by more than one form of collateral, the classification is based on the primary form of collateral. The table below sets forth loans and advances to customers by the type of collateral as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Collateralized loans	54,773.1	42.1	38,545.9	40.1
Pledged loans	11,452.7	8.8	10,259.8	10.7
Guaranteed loans	61,203.7	47.1	43,901.8	45.7
Unsecured loans	2,647.0	2.0	3,396.5	3.5
<b>Total loans and advances to customers</b>	<b>130,076.5</b>	<b>100.0</b>	<b>96,104.0</b>	<b>100.0</b>

Collateralized loans and pledged loans are the largest component of total loans and advances to customers. Collateralized loans and pledged loans as a percentage of total loans and advances to customers were 50.8% as of December 31, 2019 and 50.9% as of December 31, 2020, respectively.

The Group has adopted more stringent credit assessment criteria for extending guaranteed loans. Corporate loans are generally guaranteed by listed companies or guarantee companies. The Bank and each subsidiary consider the size, credit history and risk-resistance level of a guarantee company to decide whether or not to accept its guarantees. Guaranteed loans as a percentage of total loans and advances to customers was 45.7% as of December 31, 2019 and 47.1% as of December 31, 2020, respectively.

The Bank and each subsidiary extend unsecured loans to customers with relatively high credit ratings based on their internal credit risk rating system. As of December 31, 2019 and 2020, unsecured loans represented 3.5% and 2.0% of total loans and advances to customers, respectively.

**Movements of provision for impairment losses on loans and advances to customers**

**(Expressed in millions of RMB,  
unless otherwise stated)**

	<u>2020</u>	<u>2019</u>
<b>As of January 1,</b>	<b>2,709.8</b>	2,173.2
Charge for the year	<b>805.3</b>	629.1
Reverse for the year	<b>58.2</b>	(26.6)
Amounts written off as uncollectible	<b>(93.6)</b>	(73.9)
Recoveries of loans and advances previously written off	<u><b>22.2</b></u>	<u>8.0</u>
<b>As of December 31,</b>	<u><b>3,501.9</b></u>	<u>2,709.8</u>

Provision for impairment losses on loans increased by 29.2% from RMB2,709.8 million as of December 31, 2019 to RMB3,501.9 million as of December 31, 2020, primarily due to the increase in provisions for impairment losses on loans by the Group after taking account into the growth in loans and advances to customers as well as factors including the pandemic impact.

**(B) Investment securities and other financial assets**

As of December 31, 2020 and 2019, the Group had investment securities and other financial assets of RMB30,499.0 million and RMB39,218.2 million, respectively, representing 15.2% and 22.6% of its total assets, respectively.

Investment securities and other financial assets primarily include debt securities investments, asset management plans and trust plans, funds and equity investments.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
<b>Debt securities investments</b>				
Financial assets at fair value through other comprehensive income	2,372.7	7.8	6,183.8	15.8
Financial assets at amortized cost	8,566.5	28.1	6,110.6	15.6
<b>Subtotal</b>	<b>10,939.2</b>	<b>35.9</b>	<b>12,294.4</b>	<b>31.4</b>
<b>Asset management plans and trust plans</b>				
Asset management plans	8,480.4	27.8	15,194.0	38.7
Trust plans	9,038.8	29.6	9,663.4	24.7
<b>Subtotal</b>	<b>17,519.2</b>	<b>57.4</b>	<b>24,857.4</b>	<b>63.4</b>
<b>Funds</b>	<b>708.7</b>	<b>2.3</b>	<b>715.5</b>	<b>1.8</b>
<b>Subtotal</b>	<b>708.7</b>	<b>2.3</b>	<b>715.5</b>	<b>1.8</b>
<b>T+0 clearing and advances</b>	<b>0.0</b>	<b>0.0</b>	<b>—</b>	<b>—</b>
<b>Subtotal</b>	<b>0.0</b>	<b>0.0</b>	<b>—</b>	<b>—</b>
<b>Equity investments</b>				
Financial assets at fair value through other comprehensive income	153.4	0.5	145.3	0.4
Financial assets at fair value through profit or loss	1,178.5	3.9	1,205.6	3.0
<b>Subtotal</b>	<b>1,331.9</b>	<b>4.4</b>	<b>1,350.9</b>	<b>3.4</b>
<b>Total investment securities and other financial assets, net</b>	<b>30,499.0</b>	<b>100.0</b>	<b>39,218.2</b>	<b>100.0</b>

Investment securities and other financial assets decreased by 22.2% from RMB39,218.2 million as of December 31, 2019 to RMB30,499.0 million as of December 31, 2020. The decrease in investment securities and other financial assets were primarily due to the timely and reasonable adjustment of investment strategy of the Group by decreasing the investments in debt securities, asset management plans and trust plans and equity investments taking into account the regulatory policy and market condition.

## (ii) Liabilities

As of December 31, 2020 and 2019, total liabilities amounted to RMB184,112.1 million and RMB157,615.4 million, respectively. Major components of liabilities include (i) deposits from customers; (ii) debt securities issued; (iii) financial assets sold under repurchase agreements; (iv) deposits from banks and other financial institutions; (v) borrowing from the central bank; and (vi) placement from banks and other financial institutions. The table below sets forth the components of total liabilities as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Deposits from customers	149,763.2	81.3	122,840.4	77.9
Debt securities issued	7,504.5	4.1	14,220.1	9.0
Financial assets sold under repurchase agreements	2,654.9	1.4	2,610.8	1.7
Deposits from banks and other financial institutions	8,335.9	4.5	6,277.6	4.0
Borrowing from the central bank	4,011.0	2.2	3,345.2	2.1
Placements from banks and other financial institutions	7,101.5	3.9	4,379.5	2.8
Other liabilities <sup>(1)</sup>	4,741.1	2.6	3,941.8	2.5
<b>Total liabilities</b>	<b>184,112.1</b>	<b>100.0</b>	<b>157,615.4</b>	<b>100.0</b>

Note:

- (1) Primarily consist of accrued staff costs, taxes payable, interest payables, estimated liabilities and lease liabilities.

**(A) Deposits from customers**

The Group provides demand and time deposit products to corporate and retail customers. The table below sets forth deposits from customers by product and customer type as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
<b>Corporate deposits</b>				
Demand deposits	<b>32,649.0</b>	<b>21.8</b>	28,671.0	23.3
Time deposits	<b>7,492.0</b>	<b>5.0</b>	9,449.1	7.7
<b>Subtotal</b>	<b><u>40,141.0</u></b>	<b><u>26.8</u></b>	<u>38,120.1</u>	<u>31.0</u>
<b>Retail deposits</b>				
Demand deposits	<b>22,559.0</b>	<b>15.1</b>	21,044.1	17.1
Time deposits	<b>82,997.6</b>	<b>55.4</b>	60,484.1	49.2
<b>Subtotal</b>	<b><u>105,556.6</u></b>	<b><u>70.5</u></b>	<u>81,528.2</u>	<u>66.3</u>
<b>Others<sup>(1)</sup></b>	<b><u>4,065.6</u></b>	<b><u>2.7</u></b>	<u>3,192.1</u>	<u>2.7</u>
<b>Total deposits from customers</b>	<b><u>149,763.2</u></b>	<b><u>100.0</u></b>	<u>122,840.4</u>	<u>100.0</u>

Note:

(1) Primarily consist of pledged deposits held as collateral and fiscal deposits.

Total deposits from customers increased by 21.9% from RMB122,840.4 million as of December 31, 2019 to RMB149,763.2 million as of December 31, 2020. The increase was primarily due to the ongoing transformation and upgrade of outlets, diversified electronic channels, development of intelligent banking, further improvement in service quality and implementation of targeted marketing by the Group.



***(B) Debts securities issued***

In December 2012, the Bank issued an aggregate principal amount of RMB700.0 million subordinated fixed rate bonds. The bonds have a term of 10 years and bear interest at the rate of 7.00% per annum.

In April 2015, the Bank issued tier-two capital bonds in an aggregate principal amount of RMB800.0 million. The bonds have a term of 10 years and bear interest at the rate of 6.30% per annum.

In October 2016, the Bank issued 10-year tier-two capital bonds of RMB900.0 million at fixed rate of 4.20%. The Bank has an option to redeem the bonds on October 20, 2021 at par.

From January 1, 2019 to December 31, 2019, the Bank issued 64 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB13,040.0 million. The interbank certificates have terms ranging from one month to one year and bear interest at effective rates between 3.15% and 4.30%.

From January 1, 2020 to December 31, 2020, the Bank issued 77 tranches of zero-coupon interbank certificates, with an aggregate face value of RMB7,630.0 million. The interbank certificates have terms ranging from one month to one year and bear interest at effective rates between 3.06% and 4.20%.

**(iii) Shareholders' equity**

The table below sets forth the changes in shareholders' equity as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Share capital	4,393.2	27.0	4,184.0	26.7
Capital reserve	4,921.3	30.3	5,148.6	32.9
Investment revaluation reserve	10.4	0.1	12.0	0.1
Surplus reserve	915.5	5.6	814.1	5.2
General reserve	2,077.9	12.8	1,777.7	11.4
Retained earnings	1,353.2	8.3	1,403.5	9.0
Non-controlling interests	2,579.7	15.9	2,320.2	14.7
<b>Total equity</b>	<b>16,251.2</b>	<b>100.0</b>	<b>15,660.1</b>	<b>100.0</b>

## (c) Assets Quality Analysis

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

The non-performing loans of the Group are classified into substandard, doubtful and loss. As of December 31, 2020, the Group's non-performing loans amounted to RMB2,124.7 million. The following table sets forth loans and advances to customers by loan classification as of the dates indicated.

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Normal	123,911.7	95.3	92,902.1	96.8
Special mention	4,040.1	3.1	1,584.9	1.6
Substandard	577.1	0.4	521.0	0.5
Doubtful	1,463.5	1.1	1,067.1	1.1
Loss	84.1	0.1	28.9	0.0
<b>Total loans and advances to customers</b>	<b>130,076.5</b>	<b>100.0</b>	<b>96,104.0</b>	<b>100.0</b>
<b>Non-performing loan and non-performing loan ratio<sup>(1)</sup></b>	<b>2,124.7</b>	<b>1.63</b>	<b>1,617.0</b>	<b>1.68</b>

Note:

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

The Group's non-performing loan ratio decreased from 1.68% as of December 31, 2019 to 1.63% as of December 31, 2020. The decrease was primarily due to the increase in the Group's loans and advances to customers.

## (ii) Concentration of loans

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020				As of December 31, 2019			
	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio %	Loan amount	% of total	Non- performing loan amount	Non- performing loan ratio %
<b>Corporate loans</b>								
Wholesale and retail	21,766.0	16.7	177.2	0.81	16,974.2	17.7	159.1	0.94
Manufacturing	17,354.5	13.3	461.9	2.66	13,696.6	14.3	488.8	3.57
Leasing and business services	16,998.4	13.1	247.2	1.45	12,293.5	12.8	73.6	0.60
Construction	13,855.6	10.7	123.8	0.89	6,177.7	6.4	142.2	2.30
Agriculture, forestry, animal husbandry and fishery	6,646.7	5.1	137.7	2.07	6,306.7	6.6	97.0	1.54
Real estate	5,440.0	4.2	140.6	2.58	3,413.4	3.5	77.6	2.27
Transportation, storage and postal services	5,396.5	4.1	53.0	0.98	3,731.9	3.9	53.0	1.42
Scientific research, technical services and geological prospecting	5,273.0	4.1	17.0	0.32	2,637.7	2.7	20.8	0.79
Accommodation and catering	3,110.4	2.4	1.5	0.05	900.2	0.9	31.5	3.50
Information transmission, computer services and software	2,411.0	1.9	50.3	2.09	1,054.0	1.1	—	—
Education	2,146.4	1.7	—	—	1,776.2	1.8	—	—
Electricity, gas and water production and supply	1,738.7	1.3	11.2	0.64	1,816.7	1.9	4.6	0.25
Health and social services	1,045.1	0.8	—	—	935.8	1.0	—	—
Water, environment and public facility management	957.9	0.7	—	—	402.1	0.4	—	—
Resident and other services	744.7	0.6	4.5	0.6	415.0	0.4	13.6	3.28
Cultural, sports and entertainment	507.4	0.4	—	—	473.7	0.5	10.0	2.11
Public administration, social security and social organizations	181.0	0.1	—	—	163.0	0.2	—	—
Mining	53.0	0.0	—	—	91.9	0.1	2.2	2.39
Finance	4.9	0.0	—	—	9.9	0.0	—	—
<b>Retail loans</b>	<b>24,445.3</b>	<b>18.8</b>	<b>698.8</b>	<b>2.86</b>	<b>22,833.8</b>	<b>23.8</b>	<b>443.0</b>	<b>1.94</b>
<b>Discounted bills</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>130,076.5</b>	<b>100.0</b>	<b>2,124.7</b>	<b>1.63</b>	<b>96,104.0</b>	<b>100.0</b>	<b>1,617.0</b>	<b>1.68</b>

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

Loans to borrowers in the wholesale and retail, manufacturing, leasing and business services, construction, agriculture, forestry, animal husbandry, fishery and real estate represented the largest components of the Group's corporate loan portfolio. Loans to these industries accounted for 77.7% and 80.3% of total corporate loans as of December 31, 2020 and 2019, respectively.

As of December 31, 2020, non-performing loans of the Group's corporate loans were mainly concentrated in the manufacturing and real estate, with non-performing loan ratios of 2.66% and 2.58%, respectively.

**(B) Borrower concentration**

**Loans to the 10 Largest Single Borrowers**

The table below sets forth the balance of loans to the 10 largest single borrowers (excluding group borrowers) (on a consolidated or group basis) as of December 31, 2020. All of these loans were classified as normal.

(Expressed in millions of RMB,  
unless otherwise stated)

Customer	Industry	As of December 31, 2020	
		Amount	% of total loan
Borrower A	Leasing and business services	1,145.0	0.88
Borrower B	Manufacturing	1,100.0	0.85
Borrower C	Transportation, storage and postal services	1,100.0	0.85
Borrower D	Scientific research, technical services and geological prospecting	1,100.0	0.85
Borrower E	Scientific research, technical services and geological prospecting	1,055.0	0.81
Borrower F	Accommodation and catering	1,000.0	0.77
Borrower G	Leasing and business services	996.0	0.77
Borrower H	Real estate	990.0	0.76
Borrower I	Wholesale and retail	869.4	0.66
Borrower J	Manufacturing	790.0	0.60
<b>Total</b>		<b>10,145.4</b>	<b>7.80</b>

**(C) Distribution of non-performing loans by product**

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020			As of December 31, 2019		
	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)	Loan amount	Non- performing loan amount	Non- performing loan ratio (%)
<b>Corporate loans</b>						
Small and micro enterprises <sup>(1)</sup>	78,100.3	1,324.4	1.70	51,397.0	1,077.5	2.10
Medium enterprises <sup>(1)</sup>	18,968.0	98.3	0.52	13,091.7	96.5	0.74
Large enterprises <sup>(1)</sup>	8,051.4	3.2	0.04	8,246.0	—	—
Others <sup>(2)</sup>	511.5	—	—	535.5	—	—
<b>Subtotal</b>	<b>105,631.2</b>	<b>1,425.9</b>	<b>1.35</b>	<b>73,270.2</b>	<b>1,174.0</b>	<b>1.60</b>
<b>Retail loans</b>						
Personal business loans	17,954.3	621.7	3.46	16,700.1	389.4	2.33
Personal consumption loans	2,656.0	60.3	2.27	2,771.1	46.5	1.68
Residential and commercial mortgage loans	3,813.5	16.5	0.43	3,337.9	7.0	0.21
Credit card overdrafts	21.5	0.3	1.40	24.7	0.1	0.40
<b>Subtotal</b>	<b>24,445.3</b>	<b>698.8</b>	<b>2.86</b>	<b>22,833.8</b>	<b>443.0</b>	<b>1.94</b>
<b>Discounted bills</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total loans</b>	<b>130,076.5</b>	<b>2,124.7</b>	<b>1.63</b>	<b>96,104.0</b>	<b>1,617.0</b>	<b>1.68</b>

Notes:

(1) The classification for large, medium, small and micro enterprises is based on the Provisions on the Standards for the Classification of Small and Medium Enterprises.

(2) Mainly consist of public services institutions and social organizations.

The non-performing loan ratio of corporate loans decreased from 1.60% as of December 31, 2019 to 1.35% as of December 31, 2020, primarily due to the increase in corporate loans to small and micro enterprises and medium-sized enterprises, resulting in a drop of non-performing loan ratio.

The non-performing loan ratio of retail loans increased from 1.94% as of December 31, 2019 to 2.86% as of December 31, 2020, which was mainly due to the decreased repayment ability of certain retail borrowers as affected by the pandemic, adjustment of industrial structure and economic downturn.

**(D) Loan aging schedule**

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
<b>Loans not overdue</b>	<b>124,899.3</b>	<b>96.0</b>	92,790.2	96.5
<b>Loans past due for:</b>				
1 to 90 days	2,649.7	2.0	1,514.7	1.6
91 days to 1 year	819.5	0.7	586.7	0.6
1 to 3 years	1,170.0	0.9	538.6	0.6
3 years or more	538.0	0.4	673.8	0.7
<b>Subtotal</b>	<b>5,177.2</b>	<b>4.0</b>	3,313.8	3.5
<b>Total loans and advances to customers</b>	<b>130,076.5</b>	<b>100.0</b>	96,104.0	100.0

**(d) Segment Information**

**(i) Summary of geographical segment information**

In presenting information on the basis of geographical segments, operating income is allocated based on the places of registration of the respective banks that generate the income. The table below sets forth the operating income attributable to each of the geographical segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2020		Year ended December 31, 2019	
	Amount	% of total	Amount	% of total
Jilin Province	4,894.6	88.2	4,656.1	87.7
Other Regions <sup>(1)</sup>	652.2	11.8	655.3	12.3
<b>Total operating income</b>	<b>5,546.8</b>	<b>100.0</b>	5,311.4	100.0

Note:

- (1) Primarily include provinces and municipalities such as Heilongjiang, Guangdong, Hebei, Shandong, Anhui, Hubei, Hainan, Tianjin and Shaanxi.

**(ii) Summary of business segments**

The Group operates three principal lines of business: corporate banking, retail banking and treasury operations. The table below sets forth the Group's operating income of each of its principal business segments for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31, 2020		Year ended December 31, 2019	
	Amount	% of	Amount	% of
		total		total
Corporate banking	<b>4,298.4</b>	<b>77.5</b>	3,391.8	63.9
Retail banking	<b>642.0</b>	<b>11.6</b>	566.3	10.7
Treasury operations	<b>586.6</b>	<b>10.5</b>	1,157.0	21.8
Others <sup>(1)</sup>	<b>19.8</b>	<b>0.4</b>	196.3	3.6
<b>Total</b>	<b><u>5,546.8</u></b>	<b><u>100.0</u></b>	<b><u>5,311.4</u></b>	<b><u>100.0</u></b>

Note:

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



**(e) Off-balance Sheet Commitments**

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

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>As of December 31, 2020</b>	<b>As of December 31, 2019</b>
<b>Credit commitments:</b>		
Bank acceptances <sup>(1)</sup>	<b>1,524.6</b>	1,703.1
Letters of credit <sup>(2)</sup>	<b>13.1</b>	12.2
Letters of guarantee <sup>(2)</sup>	<b>2,991.2</b>	2,340.4
Unused limits of credit cards	<b>161.3</b>	158.6
<b>Subtotal</b>	<b>4,690.2</b>	4,214.3
<b>Operating lease commitments</b>	<b>—</b>	—
<b>Capital commitments</b>	<b>1.4</b>	25.1
<b>Total</b>	<b>4,691.6</b>	4,239.4

Notes:

(1) Bank acceptances refer to the Group's undertakings to pay bank bills drawn on its customers.

(2) The Group issues letters of credit and guarantee to third parties to guarantee its customers' contractual obligations.

Off-balance sheet commitments increased by 10.7% from RMB4,239.4 million as of December 31, 2019 to RMB4,691.6 million as of December 31, 2020. The increase in off-balance sheet commitments was primarily due to the increase in demand from customers of letters of guarantee business.

### 3.4 Business Review

#### (a) Corporate Banking

The Group offers corporate customers a broad range of financial products and services, including loans, bill discounting, deposits and fee-and commission-based products and services. The Group's corporate customers primarily include state-owned enterprises, private enterprises, foreign-invested enterprises, government authorities, financial institutions, public services institutions and non-profit organizations. As of December 31, 2020, the Group had approximately 3,144 corporate borrowers with loans and advances to customers totaling RMB105,631.2 million. In 2020 and 2019, operating income from the Group's corporate banking business was RMB4,298.4 million and RMB3,391.8 million, respectively, accounting for 77.5% and 63.9% of total operating income, respectively.

The Group seeks to grow with its corporate customers, especially SMEs with strong growth potential, and the Group focuses on developing long-term customer relationships. As of December 31, 2020, the Group had 2,378 SME customers with total loans and advances totaling RMB83,802.4 million. The Group also collaborates with other financial institutions, such as securities companies, fund companies, trust companies, insurance companies, private equity funds and financial leasing companies, to provide one-stop financial services to corporate customers. The table below sets forth the financial performance of the Group's corporate banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Change in percentage (%)
	2020	2019	
External interest income, net <sup>(1)</sup>	5,328.0	3,858.6	38.1
Inter-segment interest expenses, net <sup>(2)</sup>	(1,216.9)	(493.3)	146.7
Net interest income	4,111.1	3,365.3	22.2
Net fee and commission income	187.3	26.5	606.8
<b>Operating income</b>	<b>4,298.4</b>	<b>3,391.8</b>	<b>26.7</b>
Operating expenses	(1,985.1)	(1,859.1)	6.8
Impairment losses on assets	(697.0)	(427.3)	63.1
<b>Profit before tax</b>	<b>1,616.3</b>	<b>1,105.4</b>	<b>46.2</b>

Notes:

(1) Refers to net income and expenses from third parties.

(2) Refers to inter-segment expenses and transfer pricing.

## **(i) Corporate loans**

The Group offers loans to corporate customers to satisfy their capital needs for operations, machinery and equipment procurement and for infrastructure and real estate development. As of December 31, 2020 and 2019, the Group's corporate loans totaled RMB105,631.2 million and RMB73,270.2 million, accounting for 81.2% and 76.2% of the Group's total loans and advances to customers, respectively.

## **(ii) Discounted bills**

The Group purchases bank and commercial acceptance bills at discounted prices from corporate customers to fund their working capital needs. These discounted bills generally have a remaining maturity of less than six months. The Group may rediscount these bills to the People's Bank of China (the "PBOC") or other financial institutions. As of December 31, 2020, the Group's balance of discounted bills was nil.

## **(iii) Corporate deposits**

The Group accepts time and demand deposits from corporate customers in Renminbi and major foreign currencies, such as U.S. dollars and Euros. The terms of corporate time deposits generally range from three months to three years. The Group's corporate deposit customers include state-owned enterprises, financial and government authorities and institutions, private enterprises, foreign-invested enterprises and nonprofit organizations. As of December 31, 2020 and 2019, the Group's corporate deposits totalled RMB40,141.0 million and RMB38,120.1 million, accounting for 26.8 % and 31.0% of total deposits from customers, respectively.

## **(iv) Fee- and commission-based products and services**

The Group offers corporate customers a wide range of fee- and commission-based products and services, primarily including consulting and financial advisory services, syndicated loans services, settlement and clearing services, entrusted loans, agency services and wealth management services.

### ***(A) Consulting and financial advisory services***

The Group's consulting and financial advisory services primarily include financing solution structuring and asset management services to corporate customers. In 2020 and 2019, the Group's income from consulting and financial advisory services was RMB137.4 million and RMB227.2 million, respectively.

***(B) Syndicated loans services***

The Group acts as lead manager, agent and lender bank for syndicated loans to corporate customers to meet their relatively large financing needs. In 2020 and 2019, the Group earned service fees for syndicated loans of RMB59.5 million and RMB59.2 million, respectively.

***(C) Settlement and clearing services***

The Group offers settlement services, including settlement of cash transfers, drafts, cheques and other negotiable instruments to corporate customers.

***(D) Entrusted loans***

The Group provides entrusted loans to borrowers designated by corporate customers in accordance with the uses of proceeds, principal amounts and interest rates determined by corporate customers. The Group also supervises borrowers' uses of loans and assists in collection of loans. The Group charges agency fees based on the principal amount of entrusted loans. The Group's corporate customers bear the risks of default under entrusted loans.

***(E) Agency Services***

The Group provides fee collection services for corporate customers (including enterprises and public services institutions). The Group believes this enables it to maintain close relationships with customers and enhance brand recognition.

***(F) Wealth Management Services***

The Bank offers corporate customers a variety of wealth management products based on their diversified risk and return appetites, including principal-guaranteed and non-principal-guaranteed wealth management products. The wealth management products primarily invest in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income product portfolios. In 2020 and 2019, sales of wealth management products to the Bank's corporate customers totalled RMB535.0 million and RMB83.5 million, respectively.

## (b) Retail Banking

The Group offers a broad range of products and services to retail customers, including loans, deposits, debit cards and fee- and commission-based products and services. As of December 31, 2020, the Group had 58,810 retail borrowers with total loans and advances to customers of RMB24,445.3 million. In 2020 and 2019, the operating income from the Group's retail banking business amounted to RMB642.0 million and RMB566.3 million, accounting for 11.6% and 10.7% of total operating income of the Group, respectively. The table below sets forth the financial performance of the Group's retail banking for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Change in percentage (%)
	2020	2019	
External interest expenses, net <sup>(1)</sup>	(1,135.3)	(707.9)	60.4
Inter-segment interest income, net	1,761.0	1,244.4	41.5
Net interest income	625.7	536.5	16.6
Net fee and commission income	16.3	29.8	(45.3)
<b>Operating income</b>	<b>642.0</b>	<b>566.3</b>	13.4
Operating expenses	(470.7)	(517.5)	(9.0)
Impairment losses on assets	(209.8)	(175.2)	19.7
<b>Profit before tax</b>	<b>(38.5)</b>	<b>(126.4)</b>	(69.5)

Note:

(1) Refers to net income and expenses from third parties.

### **(i) Retail loans**

Retail loans consist primarily of personal business loans, personal consumption loans and residential and commercial mortgage loans. As of December 31, 2020 and 2019, the Group's retail loans totalled RMB24,445.3 million and RMB22,833.8 million, accounting for 18.8% and 23.8% of total loans and advances to customers, respectively.

### **(ii) Retail deposits**

The Group offers retail customers a variety of demand deposit and time deposit products denominated in Renminbi and foreign currencies. The Group's retail time deposits denominated in Renminbi generally have maturities ranging from three months to five years. Retail time deposits denominated in foreign currencies (primarily U.S. dollars and Euros) have maturities ranging from one month to two years. As of December 31, 2020 and 2019, the Group's retail deposits totalled RMB105,556.6 million and RMB81,528.2 million, accounting for 70.5% and 66.3% of total deposits from customers, respectively.

### **(iii) Bank cards services**

#### ***(A) Debit cards***

The Group issues Renminbi debit cards to retail customers who maintain deposit accounts with the Group. Customers may use debit cards for a variety of financial services, including cash deposits and withdrawal, transfers, settlement and bill payment. The Group's debit cards are classified into platinum, gold and basic cards based on customers' daily average financial asset balances. The Group also issues specialized debit cards with added features such as theme cards for different market segments and co-branded cards offering preferential value-added services. The Bank cooperates with Changchun Federation of Trade Unions ( 長春市總工會 ) to offer trade union member cardholders comprehensive financial services, including membership management, subsidies and allowances. In addition, the Group cooperates with well-known domestic third-party payment companies for Internet payment to enhance cardholder experience. As of December 31, 2020, the Group had issued approximately 4.21 million debit cards.

#### ***(B) Credit cards***

Since the issuance of UnionPay credit cards, the Bank has continued to issue credit cards to high-quality customer groups and pay attention to users' needs, and the service quality has been continuously improved. In 2020, in order to improve the users' experience, the Bank enhanced the production function of the "Instal- Card ( 分唄卡 )". The Bank launched an update for the "Jiutai Rural Commercial Bank Credit Card ( 九台農商銀行信用卡 )" WeChat official account and "Jiushang Credit Card ( 九商信用卡 )" mobile APP, and actively responded to the customers' needs for consumer finance, extended the online approval period for

“Fortune Borrowing ( 財神借款 )” to provide customers with more convenient and comprehensive online credit card services. While improving credit card services, the Bank also closely monitored and effectively prevented and controlled risks relating to credit card business. As of the end of 2020, the non-performing ratio of credit card overdraft of the Bank was controlled at 1.50% or less.

#### **(iv) Fee- and commission-based products and services**

The Group offers retail customers a wide range of fee- and commission-based products and services, primarily including wealth management services, private banking services and transfer and remittances.

##### ***(A) Wealth management services***

The Bank offers retail customers a variety of wealth management products based on their risk and return appetites, primarily including principal-guaranteed and non-principal-guaranteed wealth management products. The Bank also sells insurance products and obtained the qualification to sell fund products in February 2017. Funds raised from wealth management products are primarily invested in bonds, interbank deposits, money market instruments and investment portfolios of other fixed-income products. In 2020 and 2019, the Bank’s sales of wealth management products to retail customers totalled RMB24,257.8 million and RMB17,861.8 million, respectively.

##### ***(B) Private banking service***

The Bank’s private banking department provides one-stop financial services tailored for individual customers. These products and services primarily include wealth planning and customized wealth management products. In 2020 and 2019, the Bank’s sales of wealth management products to private banking customers totalled RMB1,943.0 million and RMB2,869.3 million, respectively. The Bank also provides private banking customers with various value-added services, primarily including priority banking services, one-on-one consultancy services, bank fee discounts, and health consultancy services offered in cooperation with third parties.

##### ***(C) Other fee- and commission-based products and services***

The Group provides retail customers with other fee- and commission-based products and services, including transfer and remittances, collection and bank drafts.



### (c) Treasury Operations

The Group's treasury operations consist primarily of money market transactions, investments in securities and other financial assets and treasury operations conducted on behalf of customers. In response to the complicated and ever-changing economic and financial environment as well as changes in policies and market, the Bank placed an emphasis on optimization of the assets and liabilities structure and improvement in the yield of our treasury operations. The Bank capitalized on investment opportunities through timely adjustment of its investment strategies and compliant and prudent development of the treasury business. In 2020 and 2019, operating income from the Group's treasury operations was RMB586.6 million and RMB1,157.0 million, accounting for 10.5% and 21.8% of its total operating income, respectively. The table below sets forth the financial performance of the Group's treasury operations for the periods indicated.

(Expressed in millions of RMB, unless otherwise stated)	Year ended December 31,		Change in percentage (%)
	2020	2019	
External interest income, net <sup>(1)</sup>	907.5	1,017.0	(10.8)
Inter-segment interest expenses, net <sup>(2)</sup>	(544.1)	(751.1)	(27.6)
Net interest income	363.4	265.9	36.7
Net fee and commission income	27.0	260.2	(89.6)
Net income from other businesses <sup>(3)</sup>	196.2	630.9	(68.9)
<b>Operating income</b>	<b>586.6</b>	<b>1,157.0</b>	<b>(49.3)</b>
Operating expenses	(208.0)	(296.8)	(29.9)
Impairment losses on assets	(352.3)	(468.4)	(24.8)
<b>Profit before tax</b>	<b>26.3</b>	<b>391.8</b>	<b>(93.3)</b>

Notes:

(1) Refers to net income from third parties.

(2) Refers to inter-segment expenses and transfer pricing.

(3) Primarily includes net trading gains and losses and net gains/(expenses) from financial assets investments.

## **(i) Money market transactions**

Money market transactions play a significant role in liquidity management. The Group also earns interest income from money market transactions. Money market transactions mainly include (i) interbank deposits with other domestic banks and non-banking financial institutions; (ii) interbank placements; and (iii) interbank repurchase and reverse repurchase transactions.

In 2020, the Bank was selected as one of the Top 300 Trading Banks in the Interbank RMB Market by the China Foreign Exchange Trade System and National Interbank Funding Center, and one of the Top 100 Banks in the Interbank RMB and Foreign Exchange Market by the China Foreign Exchange Trade System and National Interbank Funding Center.

### ***(A) Interbank deposits***

The Group accepts deposits from banks and other financial institutions and deposit funds in other financial institutions to regulate its asset and liability structure. As of December 31, 2020 and 2019, the Group's deposits from banks and other financial institutions totalled RMB8,335.9 million and RMB6,277.6 million, and deposits at banks and other financial institutions totalled RMB8,396.7 million and RMB6,193.3 million, respectively.

### ***(B) Interbank placement***

As of December 31, 2020 and 2019, the Group's placements with banks and other financial institutions totalled RMB729.3 million and RMB1,814.0 million, and the Group's placements from banks and other financial institutions totalled RMB7,101.5 million and RMB4,379.5 million, respectively.

### ***(C) Interbank repurchase and reverse repurchase transactions***

The securities underlying the Group's repurchase and reverse repurchase transactions are mainly RMB-dominated government bonds and policy financial bonds. As of December 31, 2020 and 2019, the Group's financial assets held under resale agreements totalled RMB1,102.0 million and RMB100.0 million, and financial assets sold under repurchase agreements totalled RMB2,654.9 million and RMB2,610.8 million, respectively.

**(ii) Investments in securities and other financial assets**

The Group's investment portfolio consists primarily of bonds and debt instruments issued by other financial institutions.

While reduced buy-back financing cost by taking various measures, the Bank selectively allocated some bond assets with relatively suitable maturity and yield to improve returns on assets.

***(A) Securities investment by business model and characteristics of cash flow of assets of the Group***

(Expressed in millions of RMB, unless otherwise stated)	As at December 31, 2020		As at December 31, 2019	
	Amount	% of total	Amount	% of total
Financial assets at fair value through profit or loss	3,200.2	10.5	9,538.4	24.3
Financial assets at fair value through other comprehensive income	2,526.1	8.3	6,670.9	17.0
Financial assets at amortized cost	24,772.7	81.2	23,008.9	58.7
<b>Total investment securities and other financial assets</b>	<b>30,499.0</b>	<b>100.0</b>	<b>39,218.2</b>	<b>100.0</b>

Total investment securities and other financial assets decreased by 22.2% from RMB39,218.2 million as of December 31, 2019 to RMB30,499.0 million as of December 31, 2020, which was primarily due to the reduction in relevant investments measured at fair value as the Group timely adjusted its investment structure according to the market changes and business needs.

***(B) Maturity profile of the Group's investment portfolio***

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020		As of December 31, 2019	
	Amount	% of total	Amount	% of total
Immediately due	7,771.6	25.4	4,874.9	12.4
Due in 3 months	1,432.6	4.7	8,307.1	21.2
Due between 3 and 12 months	9,055.7	29.7	13,484.0	34.4
Due between 1 and 5 years	7,280.4	23.9	5,994.3	15.3
Due over 5 years	3,626.8	11.9	5,207.0	13.3
Underfined	1,331.9	4.4	1,350.9	3.4
<b>Total</b>	<b>30,499.0</b>	<b>100.0</b>	<b>39,218.2</b>	<b>100.0</b>

The Bank's securities investment with a remaining maturity of between 3 months and 12 months accounted for the largest portion.

***(C) Holding of government bonds***

As of December 31, 2020, the balance of face value of the government bonds held by the Bank amounted to RMB8,301.4 million. The table below sets out the top 10 government bonds with the highest face value held by the Group as of December 31, 2020.

<b>Name of the bond</b>	<b>Face value (RMB in millions)</b>	<b>Interest rate per annum (%)</b>	<b>Maturity date</b>
20 Interest-bearing treasury bond 11 (20付息國債11)	1,850.0	2.64	August 13, 2022
20 Interest-bearing treasury bond 15 (20付息國債15)	1,140.0	2.89	November 19, 2021
20 Interest-bearing treasury bond 04 (20付息國債04)	790.0	3.39	March 16, 2050
20 Interest-bearing treasury bond 06 (20付息國債06)	370.0	2.68	May 21, 2030
15 Interest-bearing treasury bond 16 (15付息國債16)	360.0	3.51	July 16, 2025
20 Interest-bearing treasury bond 17 (20付息國債17)	340.0	3.28	December 3, 2027
16 Jilin bond 02 (16吉林債02)	320.0	2.98	June 21, 2021
15 Interest-bearing treasury bond 26 (15付息國債26)	230.0	3.05	October 22, 2022
15 Jilin bond 04 (15吉林債04)	220.0	3.58	June 12, 2025
19 Interest-bearing treasury bond 06 (19付息國債06)	210.0	3.29	May 23, 2029
<b>Total</b>	<b>5,830.0</b>		

**(D) Holding of financial bonds**

As of December 31, 2020, the balance of face value of the financial bonds (mainly the financial bonds issued by policy banks, banks and other financial institutions in China) held by the Group amounted to RMB2,150.2 million. The table below sets out the 10 financial bonds with the highest face value held by the Group as of December 31, 2020.

<b>Name of the bond</b>	<b>Face value (RMB in millions)</b>	<b>Interest rate per annum (%)</b>	<b>Maturity date</b>
20 Guo Kai 10 (20國開10)	540.0	3.09	June 18, 2030
19 Guo Kai 05 (19國開05)	370.0	3.48	January 8, 2029
16 Nong Fa 05 (16農發05) (Additional issue)	200.0	3.22	January 6, 2026
15 Guo Kai 09 (15國開09) (Additional issue)	200.0	4.22	April 13, 2022
14 Guo Kai 11 (14國開11)	130.0	5.67	April 8, 2024
14 Guo Kai 28 (14國開28)	100.0	4.18	November 20, 2021
19 Guo Kai 15 (19國開15)	100.0	3.45	September 20, 2029
14 Nong Fa 23 (14農發23)	100.0	5.48	March 21, 2024
16 Nong Fa 05 (16農發05)	100.0	3.33	January 6, 2026
16 Nong Fa 21 (16農發21)	100.0	2.96	July 27, 2021
<b>Total</b>	<b>1,940.0</b>		

**(iii) Treasury operations conducted on behalf of customers**

In the Bank's treasury operations conducted on behalf of customers, the Bank manages funds received from the issuance of wealth management products to corporate and retail customers. In 2020 and 2019, the Bank sold wealth management products totalling RMB26,735.8 million and RMB20,814.6 million, respectively.

## **(d) Distribution Network**

### **(i) Physical outlets**

As of December 31, 2020, the Group had 355 outlets, of which 161 outlets, including the three branches in Changchun, Songyuan and Tonghua, were operated by the Bank, and the rest by the Group's subsidiaries under their own names.

Based on different regional conditions, the Group developed community finance, finance for three rurals and corporate finance. In addition to providing traditional banking services, the Group also strove for outlet transformation. In order to accelerate the transformation of intelligent operation, smart counters, smart printers, PAD mobile terminals at lobbies and other intelligent equipment were installed to reorganize the layout of outlets and streamline the service procedures for smoother lobby services so as to increase operating efficiency while further enhancing customers' experience.

### **(ii) Electronic banking**

#### ***(A) Self-service banking***

The Group provides convenient banking services to customers at lower operation costs by using self-service facilities. Self-service facilities are available at our outlets, self-service zones, commercial complexes, hospitals, schools and other public places. As of December 31, 2020, the Group had 374 self-service outlets, 92 self-service areas, and 1,102 self-service facilities.

#### ***(B) Telephone and SMS banking***

The Group provides customers with account management, status reminders, transfer and remittance and consultation and other services around the clock through an interactive self-service voice system, AI customer service, SMS interaction and other means. As of December 31, 2020, the Group had 2,126,930 telephone and SMS banking customers.

#### ***(C) Internet banking***

The Group provides customers with account management, transfer and remittance, interbank receipt, online loan application and online payment services through the Internet. As of December 31, 2020, the Group had 421,190 internet banking customers.

#### ***(D) Mobile phone banking***

The Group provides customers with mobile phone banking services, including account inquiry and management, transfer and remittance, fee payment and mobile phone payment services. As of December 31, 2020, the Group had 883,025 mobile phone banking customers.



***(E) WeChat banking***

Through WeChat, the Group's customers can access information about products, services and promotions, manage accounts, search for locations of bank outlets and reserve counter services. As of December 31, 2020, the Group had 168,601 WeChat banking customers.

***(F) Remote video banking***

The Group offers remote video conference counter services for retail customers.

**(e) Information on the Subsidiaries**

**(i) Jilin Jiuyin Financial Leasing Co., Ltd.**

The Bank, as the main promoter, applied to the CBIRC for the promotion and establishment of Jilin Jiuyin Financial Leasing Co., Ltd. ("**Jilin Jiuyin**"). Jilin Jiuyin's registered address is in Changchun of Jilin province, and its registered capital amounts to RMB500.0 million, RMB300.0 million of which is contributed by the Bank, accounting for 60%. Jilin Jiuyin obtained the business license on February 20, 2017 from the Administration for Industry and Commerce of Jilin province. Its scope of business includes financial leasing business, transferring assets under financial leases as transferor and transferee, fixed-income securities investment business, accepting deposits as guarantee from the lessee, taking deposits of 3 months or above from nonbank shareholders, interbank placements, obtaining loans from financial institutions, offshore lending, disposal and handling of leased articles and economic consulting. As at December 31, 2020, total assets of Jilin Jiuyin amounted to RMB2,756.0 million. In 2020 and 2019, the operating income of Jilin Jiuyin was RMB90.7 million and RMB107.9 million, accounting for 1.6% and 2.0% of the Group's total operating income, respectively.

**(ii) Rural commercial bank**

As of December 31, 2020, the Bank controlled and consolidated one rural commercial bank that was restructured from rural credit cooperatives the Bank acquired.

The Group's rural commercial bank offers a broad range of financial products and services to corporate and retail customers. These products and services include commercial and consumer loans, bill discounting, deposits from customers and fee and commission-based products and services, such as settlement services, remittance services, bank card services, money market transactions and invest in debt securities.

As of December 31, 2020, the rural commercial bank had total assets of RMB8,086.6 million, total deposits of RMB6,372.7 million and total loans of RMB5,937.2 million. In 2020 and 2019, the operating income of the rural commercial bank was RMB201.2 million and RMB178.8 million, respectively, accounting for 3.6% and 3.4% of the Group's total operating income, respectively.

### **(iii) Village and township banks**

As of December 31, 2020, the Bank controlled and consolidated a total of 33 village and township banks in areas including Jilin, Heilongjiang, Hebei, Tianjin, Shandong, Anhui, Hubei, Shaanxi, Guangdong and Hainan.

As of December 31, 2020, these village and township banks had total assets of RMB53,288.3 million, total deposits of RMB44,463.0 million and total loans of RMB29,540.4 million. In 2020 and 2019, the operating income of these village and township banks was RMB1,634.4 million and RMB1,643.1 million, accounting for 29.5% and 30.9% of the Group's total operating income, respectively.

The Bank's village and township banks provide local corporate and retail customers with a broad range of financial products and services. These products and services include commercial and consumer loans, bill discounting, deposits from customers and fee- and commission-based products and services, such as settlement services, remittance services and bank card services. Some village and township banks also engage in money market transactions and invest in debt securities.

In 2010, the Bank established a village and township bank management department to help village and township banks to establish strategic development plans, provide research, technology and human resource support and supervise their risk management. In addition, the Group and other banks in China have formed a strategic development alliance for village and township banks headquartered in Tianjin Municipality to promote information exchange and resource sharing among village and township banks in China. The Bank has also established five service centers in Jilin, Tianjin, Anhui and Guangdong to support the Bank's village and township bank operations.

### **(f) Operation and Safety of IT Systems**

In 2020, the Bank improved its information technology ("IT") system through five aspects, namely enhancing technological governance, supporting business development, consolidation of infrastructure, protecting information security and strengthening talent development, in order to promote digital transformation of the Bank and provide comprehensive and effective support for the innovative development of various businesses.

#### ***1. Continuous enhancement of technological governance***

In compliance with regulatory requirements and according to the needs of operation and management, the Bank gradually optimized its organizational structure, clarified job duties and established a comprehensive IT management system in order to promote information technology work stably. The Bank formulated the Fintech Development Plan (2020–2022) (金融科技發展規劃(2020–2022年)), which sets forth the objectives, principles, main tasks, implementation plans and protective measures in relation to the fintech development of the Bank in the next three years. The Bank formulated strategies to promote digital transformation, accelerated the application and integration of fintech into financial products and services and strengthened risk

control and decision-making ability. Recognizing the importance of the protection of intellectual properties, the Bank submitted applications for its scientific and technology achievements. In 2020, the Bank was granted 15 computer software copyrights by National Copyright Administration.

## **2. *Supporting the business development***

In order to promote and encourage the integration of finance and technology and coordinate its business development, the Bank further promoted digital, online and smart financial products and services. In 2020, the Bank successfully passed the acceptance check of the first phase of pilot program of customer-end mobile application software for financial business. The Bank launched loan products to extend loans to rural households for purchasing agricultural machinery, in order to specifically solve difficulties entities encountered in the course of their production and operation. The Bank fostered its innovation in financial business model and was awarded “Fourth Session of Excellent Innovative Services of Small and Medium Rural Financial Institution”( 第四屆農村中小金融機構服務創新優秀案例 ). Capitalizing on scientific and technological achievements, the Bank transformed and innovated its financial products, operation model and business processes, in order to improve its operating efficiency and service quality. At the 2020 Investment Summit hosted by Cailian Press, the Bank was awarded “Outstanding Fintech Case for the Year” ( 年度金融科技傑出案例 ). In the “Tenth Session of China Rural Financial Brand Value List” selection, the Bank was recognized as “Excellent Technology Innovative Rural Financial Institution in China”( 全國農村金融優秀科技創新機構 ).

## **3. *Consolidation of infrastructure***

In 2020, the server rooms of the information center of the Bank maintained satisfactory operation. The usability of basic environment of server rooms reached 100%. Through strategically using well-developed commercial products and customizing scenarios, transforming IPv6 and setting up SDN network, the Bank was able to develop cloud-based platform for computing resources, storage resources and network resources, meeting the resource integration and flexible scaling requirements. The Bank obtained the ISO22301 system certification and further optimized its operation and maintenance system. Through establishing operation and maintenance integration platform and integrating configuration management, monitoring management, process platform and other functions, the Bank managed its IT operation and maintenance and business continuity with standardized and systematic approaches. The Bank established and continuously optimized its risk management mechanism with focus on risk prevention, in order to provide effective IT services and ensure business continuity.

#### **4. *Sound protection of information security***

Through upgrading security structure, refining system standards and raising awareness on security, the Bank established and optimized the information security protection mechanism. A big data intelligent security platform has been established to integrate various types of alarm log such as internet devices, security devices and host devices and analyze security data collected through big data method. The Bank was able to analyze the trend and issue early warning in advance, analyze situation through multi-dimensional approaches and track the source precisely afterwards. The Bank obtained ISO27001 system certificate and refined four IT systems such as Administrative Measures on Network Environment of Internet of Outlet (《網點生產內網網絡環境管理規定》) to further optimize management and process of internal control on technology. In 2020, the Bank carried out six inspection and audit tasks covering organizational structure of IT, key infrastructure, information security, information system, business continuity and management of risks in relation to outsourcing business. The Bank organized 12 emergency drills, including network exit link load equipment, TSM backup system, power system of server room and core database switching, in order to improve capabilities to cope with contingency. The Bank organized science and technology week, network safety week and network safety law publicity campaign so as to effectively raise awareness on information security through publicizing laws, regulations and policies regarding network safety and spreading relevant knowledge.

#### **5. *Strengthening technological talents development***

As a member of the Financial Technology Committee of the Asian Financial Cooperation Association, the Bank has put great efforts in developing fintech and promoting digital transformation of small-and-medium sized banks during post-pandemic period and established an exchange and cooperation platform for fintech. With an aim to analyze the development trend and scenario application of fintech, the Bank participated in key research projects for 2020 organized by Jilin Provincial Finance Association. The Bank enriched the courses of online “internet college” and organized network safety skills and IT security verification training programs and participated in similar programs organized by well-known companies and research organizations. In 2020, one of our employees passed the international Certified Information System Security Professional (CISSP) certification exam and one of our employees passed Senior Information System Project Manager certification exam and six of our employees passed the Certified Financial Security Professional (CFSP) certification exam.

## **3.5 Risk Management**

### **(a) Risk Management of the Bank**

The Bank is committed to building a comprehensive risk management system to eliminate the impact of various uncertainties on the Bank's strategy and business objectives. The Bank's comprehensive risk management has a hierarchical structure. As the highest decision-making body of the risk management structure, the Board is responsible for establishing and maintaining an effective comprehensive risk management system. The Bank has established a sound risk management system. Risk management procedures are adopted at all managerial levels and good risk management culture is cultivated to achieve the objectives of risk management. The comprehensive risk management of the Bank covers all major risks, including the credit, market, operating, liquidity, reputational, legal and compliance, IT, anti-money laundering and terrorist financing risks.

#### **(i) Credit risk management**

Credit risk is the risk of loss related to failure by a debtor or counterparty to meet its contractual obligations or to changes in their credit ratings. The Bank's credit risks arise mainly from corporate loans, personal loans and treasury operations.

The Bank's credit risk management organization includes its president and risk management committee, credit approval committees and its risk management, front desk business, internal audit department and persons-in-charge of branches and sub-branches.

The Bank prepares annual credit approval plans, credit limit plans and credit policies based on national and regional economic development plans, financial market conditions, austerity requirements, its asset and liability structure and deposit and loan growth trends.

The Bank uses the following mechanisms to manage credit risks:

- Customer screening mechanism — The Bank determines the target customers based on its market positioning and screen credit customers based on its credit policies.
- Credit exit mechanism — The Bank regularly reassesses its outstanding credit risk based on customer, industry and market conditions. The Bank reassesses the credit rating for short-term loans if there are interest payment defaults. The Bank reassesses the credit rating for medium and long-term loans annually. The Bank also adopts measures to manage potential credit risk, including increasing the frequency of post-disbursement examination, requesting additional collateral or guarantees, and ceasing to extend new loans. The Bank determines whether or not to exit a credit based on the severity of adverse changes in the borrower's circumstances, such as its (i) financial condition; (ii) substantial shareholders; (iii) key managers and technicians; (iv) customers quality; (v) payment ability; and (vi) business environment.

- Risk alert mechanism — The Bank continually monitors outstanding credit and overall credit quality. The Bank carries out standardized management of risk alerts through the use of the post-disbursement management function of its credit system and promptly provides advice to deal with the issue.
- Non-performing asset disposal mechanism — The Bank has established an accountability mechanism for the disposal of non-performing assets.

The Bank has established a system to manage the provision of corporate and personal loans. As part of this system, the Bank has taken measures to improve credit risk management, including risk identification and monitoring policies and dividing responsibilities among its credit investigation, approval and execution departments. The Bank also sets departmental authorization limits and monitors the use of loans.

In 2020, the Bank seriously complied with the national financial policies and industrial policies and strictly implemented the regulatory requirements. Adhering to the principles of “comprehensive, forward-looking and proactive” management of credit risk, the Bank continued to refine its credit risk management system, optimize the credit risk management procedures and strengthened the centralized management of credit risk. Credit risk management standards have been further improved. Firstly, since the outbreak of COVID-19 pandemic, the Bank duly followed the spirit of various policies supporting the prevention and control of the pandemic promulgated by the government authorities at different levels and implemented a number of effective measures, such as the launch of green channel, fee reduction, and deferred repayment of principals and interests, to support the resumption of operation and production of enterprises and help them to overcome the difficulties. Secondly, fundamental work of credit risk management was enhanced and the credit risk management system was revised and modified timely to improve the adaptability and effectiveness. Thirdly, categorized management and monitoring and early alerts of risks were adopted in order to proactively identify and timely mitigate credit risks. Fourthly, the Bank focused on its principal business to support the development of the real economy. The Bank adjusted its credit policy and determined its credit approval plan accordingly to further refine the credit structure. Fifthly, the Bank reinforced the rating management and implemented stringent approval procedures for customers to ensure the quality of new loans. Sixthly, the Bank continued to monitor and analyse significant risk and strictly complied with the prevention and control requirement of significant risks for various businesses. Through effective identification, measurement and monitoring, significant risks were prevented and controlled.



## **(ii) Market risk management**

Market risk is the risk of loss in on- and off-balance sheet positions arising from fluctuations in market prices due to changes in interest rates, exchange rates and other market factors. The Bank is exposed to market risk primarily through its banking and trading business portfolios. The market risks associated with the banking business portfolio of the Bank include interest rate risk and exchange rate risk. The primary market risks associated with the Bank's trading business portfolio are fluctuations in the market value of trading positions, which are affected by movements in observable market variables, such as interest and exchange rates. The principal objective of the Bank's market risk management is to limit potential market losses to acceptable levels based on its risk appetite while seeking to maximize risk adjusted returns.

The Bank's organizational structure of market risk management includes its front, middle and back offices. The Board of the Bank assumes ultimate responsibility for management of market risk. The Bank's senior management implements market risk management strategies and policies approved by its Board. The Bank's business departments implement market risk management measures in their daily operations.



In 2020, in the face of the global economic and financial situations and complicated and ever-changing market conditions, the Bank enhanced analysis and judgment of market changes and proactively responded to the effect of interest rate marketization on its business. Effective measures were taken to enhance the market risk management capabilities of the Bank. Firstly, market risks were measured based on sensitive analysis, duration, value at risk (VaR) and other tools. Identification, evaluation and prevention of market risks were further strengthened. Secondly, the Bank strictly managed market risk limits and continued to monitor transaction limits, stop-loss limits and risk limits. The Bank also provided early warning and took effective measures for potential risks. Thirdly, based on the results of its regular stress tests, market risk management strategies and methods were adjusted in a timely manner to further enhance the market risk management level.

#### ***(A) Interest rate risk management***

Interest rate risk is the risk of economic loss to commercial banks due to adverse changes in interest rates. Based on a variety of sources, interest rate risk can be categorized into re-pricing risk, yield curve risk, benchmark risk and optionality risk. The interest rate risk of the Bank mainly includes re-pricing risk (also known as maturity mismatch risk), which is due to the difference between the maturity dates of assets, liabilities and off-balance sheet positions of the Bank (for fixed interest rate) and the re-pricing period (for floating interest rate). The overall goal of the interest rate risk management of the Bank is to follow the principles of sound risk preference and to ensure the adverse impacts of changes in interest rates on revenue and value of the Bank are controllable.

The Bank has established a governance structure compatible with its interest rate risk management, which comprised the Board and its Risk Management Committee, the senior management and its Asset and Liability Management Committee, departments at the front and middle offices, branches and subsidiaries. Such governance structure is also under the supervision of the Board of Supervisors and subject to audit by the audit department. The senior management is responsible for the specific management of the interest rate risk of the Bank, while the Asset and Liability Management Committee performs relevant functions as authorized by senior management, including the formulation, evaluation, supervision and implementation of interest rate risk preferences and interest rate risk management strategies, policies and procedures. Each management level has clear division of work, ensuring that the interest rate risk management can be carried out independently and effectively with sufficient resources.

In 2020, the Bank further improved the internal funds transfer pricing (FTP) system and the loan rate pricing model (RPM) to strengthen the interest rate pricing management mechanism and incorporate LPR into the FTP system. Operation strategy and business development direction were modified based on the price leverage for more effective allocation of resources and structures. Prevention and control of interest rate risk was further enhanced. Based on the statistics of repricing deadlines of its rate-sensitive assets and liabilities, the Bank adopted specific interest rate shock scenarios to analyze the impact of interest rate fluctuation on its economic values, to measure the potential banking book interest rate risk and to maintain the banking book interest rate risk within its acceptable range. In the future, the Bank will further enhance the efficiency of asset allocation and strengthen debt and pricing management capabilities. The Bank will also optimize risk management mechanism regarding banking book interest rate, to improve risk monitoring and early warning and minimize the impact of interest risks on the business of the Bank, whereby maintaining balance between income, risk and capital.

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2020					
	Total	Non- interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	25,155.0	739.6	24,415.4	—	—	—
Deposits with banks and other financial institutions	8,396.7	—	7,708.4	688.3	—	—
Placements with banks and other financial institutions	729.3	—	549.5	179.8	—	—
Loans and advances to customers	126,574.6	—	20,119.7	29,877.0	69,691.7	6,886.2
Financial assets held under resale agreements	1,102.0	—	1,102.0	—	—	—
Investment securities and other financial assets	30,499.0	1,331.9	9,204.2	9,055.7	7,280.4	3,626.8
Interest receivables	874.3	874.3	—	—	—	—
Others <sup>(1)</sup>	7,032.4	7,032.4	—	—	—	—
<b>Total assets</b>	<b>200,363.3</b>	<b>9,978.2</b>	<b>63,099.2</b>	<b>39,800.8</b>	<b>76,972.1</b>	<b>10,513.0</b>
<b>Liabilities</b>						
Borrowings from the central bank	4,011.0	—	2,146.1	1,864.9	—	—
Deposits from banks and other financial institutions	8,335.9	—	4,772.9	3,563.0	—	—
Placements from banks and other financial institutions	7,101.5	—	2,792.5	3,109.0	1,200.0	—
Provision for credit commitments and financial guarantees	43.4	43.4	—	—	—	—
Financial assets sold under repurchase agreements	2,654.9	—	2,654.9	—	—	—
Deposits from customers	149,763.2	—	72,250.6	18,201.3	58,902.8	408.5
Debt securities issued	7,504.5	—	4,257.2	850.5	1,498.4	898.4
Interest payables	2,990.8	2,990.8	—	—	—	—
Others <sup>(2)</sup>	1,706.9	1,706.9	—	—	—	—
<b>Total liabilities</b>	<b>184,112.1</b>	<b>4,741.1</b>	<b>88,874.2</b>	<b>27,588.7</b>	<b>61,601.2</b>	<b>1,306.9</b>
<b>Asset-liability gap</b>	<b>16,251.2</b>	<b>5,237.1</b>	<b>(25,775.0)</b>	<b>12,212.1</b>	<b>15,370.9</b>	<b>9,206.1</b>

As of December 31, 2019						
(Expressed in millions of RMB, unless otherwise stated)	Total	Non- interest bearing	Less than three months	Between three months and one year	Between one year and five years	More than five years
<b>Assets</b>						
Cash and deposits with the central bank	23,626.4	698.8	22,927.6	—	—	—
Deposits with banks and other financial institutions	6,193.3	—	5,815.5	377.8	—	—
Placements with banks and other financial institutions	1,814.0	—	864.7	949.3	—	—
Loans and advances to customers	93,394.2	—	21,416.3	41,489.0	25,999.4	4,489.5
Financial assets held under resale agreements	100.0	—	100.0	—	—	—
Investment securities and other financial assets	39,218.2	1,350.9	13,182.0	13,484.0	5,994.3	5,207.0
Interest receivables	939.8	939.8	—	—	—	—
Others <sup>(1)</sup>	7,989.6	7,989.6	—	—	—	—
<b>Total assets</b>	<u>173,275.5</u>	<u>10,979.1</u>	<u>64,306.1</u>	<u>56,300.1</u>	<u>31,993.7</u>	<u>9,696.5</u>
<b>Liabilities</b>						
Borrowings from the central bank	3,345.2	—	2,361.5	970.2	13.5	—
Deposits from banks and other financial institutions	6,277.6	—	2,562.6	3,715.0	—	—
Placements from banks and other financial institutions	4,379.5	—	1,389.5	2,990.0	—	—
Provision for credit commitments and financial guarantees	0.2	0.2	—	—	—	—
Financial assets sold under repurchase agreements	2,610.8	—	2,610.8	—	—	—
Deposits from customers	122,840.4	—	71,698.8	19,671.4	31,264.1	206.1
Debt securities issued	14,220.1	—	6,973.7	4,850.4	699.1	1,696.9
Interest payables	2,204.9	2,204.9	—	—	—	—
Others <sup>(2)</sup>	1,736.7	1,024.8	50.4	161.6	430.1	69.8
<b>Total liabilities</b>	<u>157,615.4</u>	<u>3,229.9</u>	<u>87,647.3</u>	<u>32,358.6</u>	<u>32,406.8</u>	<u>1,972.8</u>
<b>Asset-liability gap</b>	<u>15,660.1</u>	<u>7,749.2</u>	<u>(23,341.2)</u>	<u>23,941.5</u>	<u>(413.1)</u>	<u>7,723.7</u>

Notes:

(1) Primarily includes property and equipment, goodwill, other receivables and prepayments, deferred tax assets, repossessed assets, interests in associates and right-of-use assets.

(2) Primarily includes accrued staff costs, taxes payable and lease liabilities.

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

(Expressed in millions of RMB, unless otherwise stated)	As of December 31,			
	2020		2019	
	Changes in net profit	Changes in equity	Changes in net profit	Changes in equity
Increase by 100 basis points	(194.5)	(200.1)	(150.6)	(279.1)
Decrease by 100 basis points	<u>194.5</u>	<u>200.1</u>	<u>150.6</u>	<u>279.1</u>

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

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

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

## ***(B) Exchange rate risk management***

Exchange rate risk is the risk of loss to on- and off-balance sheet businesses of the Bank due to adverse changes in exchange rate. The exchange rate risk of the Bank is mainly due to mismatches in the currency denominations of its assets and liabilities and the term structure of foreign exchange transactions. The Bank manages exchange rate risk by reasonable matching the sources and uses of funds. The Bank mainly uses foreign exchange exposure analysis and sensitivity analysis to measure exchange rate risk. It also seeks to minimize the management cost of exchange rate risk and impact of exchange rate fluctuations and to maintain exchange rate risk within a acceptable range by managing risk exposure limits and choosing appropriate transaction currency.

The Bank regulates transactions that have high exchange rate risks and monitor foreign exchange positions on a real-time basis. The Bank promptly closes positions from major transactions and revalues non-monetary balance sheet items daily to enhance the management of foreign exchange assets and liabilities. The Bank has continued to strengthen its exchange rate risk management, ensured the reasonable use of foreign exchange funds and duly considered the effect of exchange rate changes on revenue for the current period to further improve its risk management of foreign exchange exposure. The Bank studied the effect of changes in the main factors of market risk on revenue and economic value to proactively regulate potential systematic risks. The exchange rate risk management level of the Bank can be extensively improved.

## **(iii) Operational risk management**

Operational risk refers to the risk of loss caused by incomplete corporate governance structure, defective internal control procedures, failures of employees and IT systems or external events. Operational risk events include risk of internal and external fraud, risk relating to customers, products and operations and risk of errors and malfunctions of IT systems.

The Board of the Bank is ultimately responsible for operational risk management and reviewing operational risk policies. The Bank's senior management is responsible for coordinating daily operational risk management. The Bank's legal compliance department leads the management of operational risks and is responsible for the daily monitoring, identification, evaluation and control of operational risks and reporting to senior management. The risk management department, all business departments, branches and sub-branches are integral to the Bank's operational risk management framework. The Bank manages and controls operational risks through reporting, balancing authority and supervision systems.

In 2020, the Bank further optimized its operational risk management system and adopted effective risk prevention measures, in order to improve its operational risk prevention and control. Firstly, the Bank continued to carry out assessment after adopting system and revised rules and regulations on a timely manner. Through optimizing its business operation process and refined its risk prevention and control measures, the Bank further solidated its foundation for operational risk management. Secondly, the Bank further improved the case risk prevention and control to maintain high attention of case prevention. A solid line of defense for case risk management has been set up to eliminate potential risks in time and effectively mitigate case risks. Thirdly, the Bank put great efforts in monitoring and inspection. Through carrying out special inspection and systematic off-site inspection, the Bank monitored its employees in key position, all key business segments and key business procedures and rectified any deficiencies on a timely manner, whereby eliminating potential risks. Fourthly, the Bank enhanced the training to all employees, developed the concept of compliance operation and cultivated the professional ethics of employees to raise the awareness of employees on risks and improve its risk prevention and control. Through establishing operational risk management culture, the Bank prevented risks arising from the operation of employees. Fifthly, the Bank strictly implemented the requirements for pandemic prevention and control during the pandemic prevention period. In order to ensure the stable business operation, the Bank strengthened its business continuity management.

#### **(iv) Liquidity risk**

##### ***(A) Liquidity risk management***

Liquidity risk refers to the risk of failure to secure sufficient funds to fulfil payment obligations at reasonable cost and in a timely manner. Liquidity risk is largely affected by external factors such as domestic and international financial conditions, macroeconomic policies, changes in financial markets and competitive strengths of the banking industry. Liquidity risk is also affected by internal factors such as the balance and maturity profile of assets and liabilities, the stability of deposits and ability to obtain financing. The Bank's liquidity risk management aims to establish and continuously improve the strategy, policy and procedure of liquidity risk management system and to specify the organization structure and responsibilities of the relevant functional departments so as to effectively identify, measure, monitor and control liquidity risks. The objective of liquidity risk management is to maintain the balance of safety, liquidity and efficiency of its operation.

The Bank has established an effective liquidity management framework and decision-making system and related procedures. The Board of the Bank is ultimately responsible for liquidity risk management, determined the policy, strategy and procedure of liquidity risk management and limit of liquidity risk according to its risk appetite. The Board will review regular reports on the major and potential changes of the Bank's liquidity risks. The assets and liabilities management committee under the senior management is responsible for the implementation of the strategies and policies and procedures of liquidity risk management. The accounting department is responsible for the daily liquidity risk management and to cooperate with the inter-bank market and other function departments to orderly and efficiently manage the liquidity risk management system.



The Bank continued to improve its liquidity risk management measures, tools and approaches. The ability to measure, identify and forecast liquidity risks was further enhanced through asset and liability management, liquidity risk indicative limits and maturity management to strengthen the liquidity risk management system. In addition, the Bank further improved the management of cash flow and reserve of assets with high quality and explored more sources of funding. The Bank properly increased its assets and adjusted the assets and liabilities structure for better prevention and management of liquidity risks in accordance with the exposure, satisfactory requirements of liquidity risk indicators, capital adequacy and changes in market conditions.

In 2020, adhering to the principles of sound and prudent operation, the Bank focused on the forward-looking and proactive management of liquidity and further optimized its asset and liability structure. The Bank was able to control and prevent the pandemic while managing liquidity risk effectively, thus the liquidity of the Bank remained overall stable. Firstly, the Bank strictly implemented liquidity risk management policies and appetite. Based on the adjustment on monetary policies and operation structure as well as other changes in internal and external conditions, the Bank maintained the balance between security, liquidity and efficiency. Secondly, the Bank continuously refined its liquidity risk management system and procedures. The Bank flexibly adjusted its liquidity risk management strategies, further improved its liquidity risk management measures and established a dynamic liquidity coordination mechanism to further strengthen its liquidity risk management capabilities. Thirdly, the Bank further enhanced the liquidity risk monitoring management and the analysis of risk early warning. Through closely monitoring risk indicators and limit and accurately identifying, assessing and calculating liquidity risks, the Bank was able to detect risks in a timely manner and implement initiatives in risk prevention and control and mitigation in advance. The Bank focused on the daily liquidity management to ensure reasonable and sufficient reserves through accurate calculations, timely monitoring and reasonable adjustment and control of excess reserves and settlement funds. Fourthly, the Bank conducted regular liquidity stress test. The reasonable and appropriate stress scenarios and stress test parameters fully demonstrated the cash flow gap and sufficiency of provisions after mitigating risks. Emergencies plan was formulated based on the liquidity gap to manage liquidity risks within controllable level. Fifthly, the Bank reasonably adjusted its asset and liability structure to reduce the risks in relation to maturity mismatch. The Bank adjusted its credit asset structure through providing supports to micro-, small- and medium-sized enterprises and three rurals. The Bank purchased treasury bonds and financial bonds when appropriate to increase the reserve of high-quality current assets. Practical measures were taken to increase core deposits and the proportion of core liabilities, so as to ensure stable liquidity.

#### ***(B) Liquidity risk analysis***

The Group funds its loan and investment portfolios principally through deposits from customers. Deposits from customers have been, and the Bank believes that it will continue to be, a stable source of funding. Deposits from customers with remaining maturities of less than one year represented 60.4% and 74.4% of the total deposits from customers as of December 31, 2020 and 2019, respectively.

The table below sets forth the remaining maturities of the Group's assets and liabilities as of December 31, 2020.

	As of December 31, 2020							
(Expressed in millions of RMB, unless otherwise stated)	Indefinite	Overdue/ on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	Total
Assets								
Cash and deposits with the central bank	11,709.6	13,445.4	—	—	—	—	—	25,155.0
Deposits with banks and other financial institutions	—	6,304.5	499.9	904.0	688.3	—	—	8,396.7
Placements with banks and other financial institutions	—	—	140.0	409.5	179.8	—	—	729.3
Financial assets held under resale agreements	—	—	1,102.0	—	—	—	—	1,102.0
Financial assets at fair value through profit or loss	1,178.5	473.7	—	—	1,548.0	—	—	3,200.2
Interest receivables	—	317.8	120.4	149.5	244.2	42.4	—	874.3
Loans and advances to customers	2,194.2	1,847.8	5,824.6	7,896.3	54,079.5	43,056.4	11,675.8	126,574.6
Financial assets at fair value through other comprehensive income	153.4	—	120.2	109.2	201.5	1,579.8	362.0	2,526.1
Financial assets at amortized cost	—	7,297.9	1,113.2	90.0	7,306.2	5,700.6	3,264.8	24,772.7
Others <sup>(1)</sup>	6,742.4	13.5	—	—	—	276.5	—	7,032.4
Total assets	21,978.1	29,700.6	8,920.3	9,558.5	64,247.5	50,655.7	15,302.6	200,363.3
Liabilities								
Borrowings from the central bank	—	—	2,001.5	144.6	1,864.9	—	—	4,011.0
Deposits from banks and other financial institutions	—	127.9	1,421.0	3,224.0	3,563.0	—	—	8,335.9
Placements from banks and other financial institutions	—	2.5	860.0	1,930.0	3,109.0	1,200.0	—	7,101.5
Provision for credit commitments and financial guarantees	—	0.1	1.6	4.9	18.5	12.7	5.6	43.4
Financial assets sold under repurchase agreements	—	—	2,654.9	—	—	—	—	2,654.9
Deposits from customers	—	62,063.7	6,082.0	4,104.9	18,201.3	58,902.8	408.5	149,763.2
Interest payables	—	1,689.6	126.8	267.4	382.9	524.1	—	2,990.8
Debt securities issued	—	—	349.9	3,907.3	850.5	1,498.4	898.4	7,504.5
Others <sup>(2)</sup>	—	714.9	431.7	6.6	115.0	396.9	41.8	1,706.9
Total liabilities	—	64,598.7	13,929.4	13,589.7	28,105.1	62,534.9	1,354.3	184,112.1
Net working capital	21,978.1	(34,898.1)	(5,009.1)	(4,031.2)	36,142.4	(11,879.2)	13,948.3	16,251.2



As of December 31, 2019

(Expressed in millions of RMB, unless otherwise stated)	As of December 31, 2019							Total
	Indefinite	Overdue/ on demand	Less than one month	Between one month and three months	Between three months and one year	Between one year and five years	More than five years	
<b>Assets</b>								
Cash and deposits with the central bank	11,016.3	12,610.1	—	—	—	—	—	23,626.4
Deposits with banks and other financial institutions	—	3,760.0	1,281.2	774.3	377.8	—	—	6,193.3
Placements with banks and other financial institutions	—	—	455.0	409.7	949.3	—	—	1,814.0
Financial assets held under resale agreements	—	—	100.0	—	—	—	—	100.0
Financial assets at fair value through profit or loss	1,205.7	—	1,003.1	2,933.1	4,396.5	—	—	9,538.4
Interest receivables	—	326.2	176.7	119.4	281.7	32.0	3.8	939.8
Loans and advances to customers	1,275.2	532.3	5,479.4	6,442.4	42,348.8	27,674.4	9,641.7	93,394.2
Financial assets at fair value through other comprehensive income	145.2	—	—	139.0	3,130.9	1,343.8	1,912.0	6,670.9
Financial assets at amortized cost	—	4,874.9	1,828.7	2,403.2	5,956.6	4,650.5	3,295.0	23,008.9
Others <sup>(1)</sup>	7,820.0	63.0	—	—	—	106.6	—	7,989.6
<b>Total assets</b>	<u>21,462.4</u>	<u>22,166.5</u>	<u>10,324.1</u>	<u>13,221.1</u>	<u>57,441.6</u>	<u>33,807.3</u>	<u>14,852.5</u>	<u>173,275.5</u>
<b>Liabilities</b>								
Borrowings from the central bank	—	—	2,001.5	360.0	970.2	13.5	—	3,345.2
Deposits from banks and other financial institutions	—	52.6	930.0	1,580.0	3,715.0	—	—	6,277.6
Placements from banks and other financial institutions	—	2.5	787.0	600.0	2,990.0	—	—	4,379.5
Provision for credit commitments and financial guarantees	—	0.0	0.1	0.0	0.1	0.0	0.0	0.2
Financial assets sold under repurchase agreements	—	—	2,610.8	—	—	—	—	2,610.8
Deposits from customers	—	53,938.0	9,817.9	7,942.9	19,671.4	31,264.1	206.1	122,840.4
Interest payables	—	1,067.2	144.9	109.0	320.3	563.5	—	2,204.9
Debt securities issued	—	—	3,835.9	3,137.8	4,850.4	699.1	1,696.9	14,220.1
Others <sup>(2)</sup>	—	466.3	431.3	23.6	174.1	571.6	69.8	1,736.7
<b>Total liabilities</b>	<u>—</u>	<u>55,526.6</u>	<u>20,559.4</u>	<u>13,753.3</u>	<u>32,691.5</u>	<u>33,111.8</u>	<u>1,972.8</u>	<u>157,615.4</u>
<b>Net working capital</b>	<u>21,462.4</u>	<u>(33,360.1)</u>	<u>(10,235.3)</u>	<u>(532.2)</u>	<u>24,750.1</u>	<u>695.5</u>	<u>12,879.7</u>	<u>15,660.1</u>

Notes:

- (1) Primarily includes property and equipment, goodwill, deferred tax assets, other receivables and prepayments, repossessed assets, interests in associates and right-of-use assets.
- (2) Primarily includes accrued staff costs, taxes payable and lease liabilities.

## **(v) Reputational risk management**

Reputational risk is the risk of negative evaluation of the Bank by stakeholders resulting from the Bank's operations, management, other activities or external events. The Bank's reputational risk management aims to identify, monitor, manage and mitigate reputational risk through the establishment of a proactive, reasonable and efficient reputational risk management mechanism. These efforts allow the Bank to establish and maintain a positive image for its sustainable, steady and rapid development.

The Board of the Bank bears ultimate responsibility for reputational risk management. The Risk Management Committee is responsible for providing opinions for the Board to make decisions on reputational risk management. It is also responsible for the control, management, monitoring and evaluation of the Bank's reputational risk management. The senior management is responsible for taking the lead in the reputational risk management of the Bank and implementing the reputational risk management strategies and policies formulated by the Board. The senior management is also responsible for approving systems, methods, operational procedures and handling plans of reputational events related to reputational risk management to ensure smooth and effective operation of the reputational risk management system.

In 2020, the Bank strictly complied with regulatory requirements and revised and optimized the Administrative Measures on Reputational Risk (《聲譽風險管理辦法》), the Implementation Rules of Public Relations Management (《輿情管理工作實施細則》) and the Implementation Rules on Emergency Reporting (《突發事件信息報告工作實施細則》), which set out clear division of duties of relevant departments and measures on identifying, monitoring, assessing, controlling, managing and evaluating reputational risks, so as to establish a well-coordinated, effective and rapid-response mechanism. The Bank also optimized response plan for various kinds of contingency and established early warning mechanism and procedures, assigned tasks for handling contingencies and set up reporting channels in order to strengthen the capability for, and level of, coping with contingency. Through establishing a mechanism for regular inspection and monitoring on public relations, the Bank was able to identify reputational risk promptly. Meanwhile, the Bank established the awareness of preventing reputation risk, improved service quality and level, maintained the balance between compliance operation and customer development appropriately and placed great emphasis on the protection of rights and interests of financial customers. The Bank formulated clear measures on handling complaints from customers and set a deadline for resolving such complaints in order to make prompt response to reasonable requests from customers. As the Bank spread financial knowledge through multiple online and offline channels, its customers clearly understood the Banks' financial products and services and chose suitable products and services. The misunderstandings and disputes caused by information asymmetry were therefore prevented. The Bank put great efforts in publicizing anti-counterfeiting, anti-illegal fund-raising and anti-fraud, so as to improve the ability of the public to identify risks and raise the public awareness. The above measures facilitated us to create stable and harmonious business environment and establish a good social image.

## **(vi) Legal and compliance risk management**

Legal and compliance risk refers to the risk of legal sanctions, regulatory penalties, significant financial losses and reputational harm resulting from the failure to comply with laws and regulations. The Bank's legal and compliance risk management aims to establish an effective and comprehensive compliance risk management structure, specify the obligation of risk management, promote the culture of compliance, improve the comprehensive risk management system so as to ensure the compliance of operation.

The Bank prioritizes legal and compliance risk management in the development of its corporate culture as well as its comprehensive risk management system in order to establish a top-down compliance risk management system. In 2020, adhering to the principle of achieving growth in compliance with the regulations, the Bank prioritized internal control and further improved the effectiveness of its compliance management. Firstly, the Bank launched a three-year "compliance task". Through five key tasks of "organization structure, system and mechanism, early warning monitoring, assessment accountability and culture cultivation" in 15 aspects to form a working mechanism of "organization and promotion, interaction between top and bottom, horizontal linkage and joint management" to effectively solve the shortcomings of the Bank in the management of structure, processes, personnel and systems, and gradually establish a compliant incident prevention system for all businesses and personnel. The Bank also implemented the supervision and inspection mechanism. the Bank also attached high importance to enhancing the inspection and supervision of system implementation with focus on strengthening the constraints and execution. Pursuant to the requirements and planning of the regulatory authorities to prevent financial risks, the Bank carried out activities such as case risk investigation, special inspection and rectification of unlawful fund-raising, the promotion month for prevention of unlawful fund-raising and case warning education activities in 2020. Through investigation and rectification as well as promotion and education, the compliance management of the Bank was further enhanced, further consolidating the foundation for serving the real economy.

## **(vii) IT risk management**

IT risk refers to the operational, reputational, legal and other risks arising from the use of information technologies due to natural factors, human factors, technical constraints, management defects and other factors. The Bank's IT risk management aims to identify, measure, monitor and control IT risk through the development of effective systems. In doing so, the Bank seeks to ensure its safe and stable operation and promote business innovation through the application of advanced information technology. Through expanding the application of IT, the Group aims to strengthen its core competitiveness and sustainable development ability.

The Bank has an IT committee responsible for overseeing and guiding its IT activities. IT risks are included to the comprehensive risk management system of the Bank. The IT department is responsible for the implementation of specific risk management measures, plans and proposals. In 2020, the Bank strengthened the real-time monitoring and control of IT risks through optimizing its IT system and network prevention and control system and strengthening business continuity management. The Bank also established a comprehensive IT risk management mechanism covering all periods and aspects. Firstly, the Bank optimized its IT system. The Bank formulated the Fintech Development Plan (2020–2022) (《金融科技發展規劃(2020–2022年)》) and further enhanced network safety management. The Bank improved the capabilities to cope with material network threats, disasters and contingency through establishing a comprehensive network safety technical protection system covering all business process. In 2020, the Bank refined four IT systems such as Administrative Measures on Network Environment of Intranet of Outlet (《網點生產內網網絡環境管理規定》) to further optimize management and process of internal control on technology. The Bank carried out six inspection and audit tasks covering organizational structure of IT, key infrastructure, information security, information system, business continuity, management of risks in relation to outsourcing business. Capitalizing on internet college, a learning platform, the Bank organized network safety knowledge training to raise the awareness on network safety and risk prevention and control capability of employees. Secondly, the Bank refined its network prevention and control system. The Bank transformed IPv6 and established SDN network and big data intelligent security platform to integrate various type of alarm log such as internet devices, security devices and host devices and analyze security data collected through big data method. The Bank was able to analyze the trend and issue pre-warning in advance, analyze situation through multi-dimensional approaches and track the source precisely afterwards. The Bank established operation and maintenance integration platform to intergrate configuration management, monitoring management, process platform and other subsystems. The Bank strictly controlled IT risks by constructing refined operation and maintenance, standardized operation and maintenance, and automated operation and maintenance. Thirdly, the Bank strengthened its business continuity management. The Bank obtained ISO27001 and ISO22301 system certifications and further optimized its construction of information security and operation and maintenance system. The Bank managed its IT operation and maintenance and business continuity with standardized and systematic approaches. The Bank established and continuously optimized its risk management mechanism with focus on risk prevention, in order to provide effective IT services and ensure business continuity. Fourthly, in 2020, the Bank organized 12 emergency drills, including network exit link load equipment, TSM backup system, power system of server room, core database switching, in order to improve capabilities to cope with contingency and evaluate the effectiveness of emergency plan and sufficiency of emergency resources and improving risk awareness and capabilities to cope with contingency of the emergency team and ensure the safe and reliable operation of the data center business system.

### **(viii) Anti-money laundering and anti-terrorism financing management**

Anti-money laundering management refers to the measures for preventing money laundering activities related to cover up and conceal of drugs dealing, organized crime, terrorism, smuggling, corruption and bribery, breaking the order of financial management and financial fraud.

The Bank has included anti-money laundering risks into its comprehensive risk management system, and the Board bears the ultimate responsibilities of anti-money laundering risk management. The Board has established the management culture of anti-money laundering, reviewed and decided the strategies of anti-money laundering management and reviewed and approved the policies and procedures for anti-money laundering management. The Board receives periodic anti-money laundering report to understand major anti-money laundering events and the treatments in a timely manner. The senior management of the Bank is responsible for the implementation of anti-money laundering management and the execution of the Board's resolutions. The accounting department is in charge of the management tasks of anti-money laundering, including the identification, assessment, supervision, reporting, inspection and control of anti-money laundering.

In 2020, the Bank duly performed its duties and obligations on anti-money laundering and anti-terrorism financing in strict compliance with various regulatory requirements by optimizing the mechanism of anti-money laundering risk management and refining strategies of anti-money laundering management. The Bank enhanced self-monitoring, and further strengthened the level of anti-money laundering risk management. Firstly, the Bank revised and supplemented the rules and systems and refined the internal control system of anti-money laundering to enhance the effectiveness and comprehensiveness of the anti-money laundering system. Secondly, the Bank enhanced anti-money laundering management by formulating the Work Plan for Anti-money Laundering while Preventing and Controlling COVID-19 Pandemic (《新型冠狀病毒感染肺炎疫情防控期間做好反洗錢工作實施方案》) during the pandemic to strengthen risk prevention and control without lowering the standard of supervision and to ensure timely risk alert. Thirdly, the Bank continued to manage the identity information of its existing customers. By adopting effective measures, the Bank further improved the completeness, authenticity and practicality of customer identity information. Fourthly, the Bank strengthened its anti-money laundering risk monitoring and alert and implemented the alert system to issue risk alert timely so as to prevent anti-money laundering risk effectively. Fifthly, the Bank strengthened its supervision and inspection by conducting inspection on anti-money laundering business, including regular inspection, risk investigation and special inspection. Issues were identified and rectified promptly to fully prevent money laundering risk. **Sixthly**, the Bank enhanced the promotion of anti-money laundering with innovative approaches, expanded promotion coverage and extended promotion period to further strengthen public knowledge of and participation in anti-money laundering, thereby creating a good social atmosphere valuing anti-money laundering.



## **(ix) Internal audit**

The Bank's internal audit is risk-oriented and includes independent and objective supervision, assessment and consultancy. It reviews, assesses and supervises the improvement of business operation, risk management, internal control and compliance and effectiveness of corporate governance of the Bank through systemized and standardized methods in order to promote the sound development of the Bank and the realization of the strategic targets of the Board.

The objective of the Bank's internal audit is to promote the implementation of government's economic and financial laws and regulations, guidelines and policies, rules of regulatory authorities and various rules and regulations of the Bank. It raises opinions and makes suggestions on risk management, internal control and compliance and the effectiveness of corporate governance of the Bank within the Bank's risk management framework so that risks can be controlled at an acceptable level. The internal audit is also aimed at continuous improvement and enhancement of the Bank's business operation, management and values.

The Bank has adopted a vertical internal audit organizational system, and the Board bears the ultimate responsibility for the independence and effectiveness of the internal audit of the Bank. The Audit Committee is a special committee under the Board and organizes and guides the internal audit pursuant to the authorization of the Board. The internal audit department is responsible for the formulation of internal audit system and the preparation and implementation of annual audit plans. Independent of business operations, risk management and internal control and compliance, the internal audit department conducts internal audit in a timely manner and evaluates the effectiveness of the functions described above.

The Bank's internal audit performs its duties through on-site audits, off-site audits, scheduled audits, non-scheduled audits, pre-notice audits, ad-hoc audits, comprehensive audits, special audits and audit investigation, to conduct audits for audit supervision and inspection, risk management review, case risk investigation, audit supervision and evaluation, and audit supervision and rectification, and achieved the business target of the year of promoting the standardization of operation and management activities, effectively preventing operation risks, implementation of case prevention and control, the authenticity and effectiveness of internal control evaluation, and correcting violations in a timely manner.

The Bank's internal audit audits and evaluates the Bank's operation management, practices, and performances through routine audit, including comprehensive audits, authenticity of final accounting and economic responsibility auditing, as well as audits and evaluations on the performance of key positions; strengthens the audits and supervision of the business practices and daily operations of the Bank's staff through position exchanges or ad-hoc audits to prevent operational risks and ethical risks. The Bank has also strengthened the implementation of rules and regulations and the audits have fulfilled the functions to identify, remedy and prevent errors, deviations, faults and omissions.

## **(b) Risk Management of the Subsidiaries**

As a separate legal entity, each subsidiary has established risk management and internal control systems in accordance with the applicable regulatory requirements.

The Bank participates in formulating the risk management policies and strategies of each subsidiary through the Board representatives of the subsidiaries. The Bank supervises and monitors the implementation of the risk management processes of the subsidiaries through the risk management personnel sent or designated by the Bank and through the Bank's village and township bank management department.

### **(i) Credit risk management**

The respective policies of the subsidiaries provide for the management of credit risk through various mechanisms, including customer screening mechanism, credit exit mechanism, risk alert mechanism and non-performing asset disposal mechanism.

### **(ii) Market risk management**

The respective policies require each subsidiary to manage interest rate risks arising from its banking accounts by adjusting the mix of assets and liabilities through interest rates adjustment for different types of products and developing new products. Each subsidiary also revalues its trading account positions on a regular basis, closely monitors trading limits, stop-loss limits and risk limits, and monitors market risks using measures such as stress tests.

### **(iii) Operational risk management**

Each subsidiary has established an operational risk management system and related policies and procedures to strictly divide the duties of front, middle and back offices.

### **(iv) Liquidity risk management**

The respective policies of each subsidiary provide for the management of liquidity risk through (i) a reporting system for large fund movement and a reasonable allocation of funds to increase returns on assets; (ii) closely monitoring movements in key liquidity indicators; (iii) adjusting the maturity profile of assets and liabilities; and (iv) conducting periodic cash flow analyses and liquidity stress tests to manage the liquidity risk.

#### **(v) Reputational risk management**

The respective policies of each subsidiary provide for the management of reputational risk through (i) a system framework that clearly defines duties and responsibilities; (ii) a public opinion reporting system and classification systems for reputational events and public opinion; and (iii) contingency plans with specific procedures for handling reputational risk.

#### **(vi) Legal and compliance risk management**

The respective policies of each subsidiary provide for the management of legal and compliance risk through (i) regular compliance training; and (ii) a whistle-blower system to encourage employees to report non-compliance events.

#### **(vii) IT risk management**

Each subsidiary has formulated comprehensive procedures and policies to manage IT risks. Each of them has also established business continuity management and contingency plans to manage the risk of business interruption.

#### **(viii) Anti-money laundering and anti-terrorism financing management**

Each subsidiary has established comprehensive anti-money laundering and anti-terrorism financing management rules and procedures in accordance with the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》) and regulations promulgated by the PBOC, including, among others, customer identification, an anti-money laundering information monitoring and reporting system and mandatory anti-money laundering training. Each subsidiary is required to report suspicious transactions to the China Anti-Money Laundering Monitoring and Analyzing Center (中國反洗錢監測分析中心) individually as a separate legal entity in accordance with the relevant regulatory requirements.

#### **(ix) Internal audit**

Each subsidiary has designated auditors to perform independent audits, supervision and assessments and provide independent advice.

### **3.6 Analysis on Capital Adequacy Ratio**

All commercial banks in China are required to comply with the CBIRC's capital adequacy ratio requirements. Since January 1, 2013, the Group has calculated and disclosed capital adequacy ratios in accordance with the Administrative Measures for the Capital of Commercial Banks (Provisional) (《商業銀行資本管理辦法(試行)》), which required commercial banks in China (except systematically important banks) to maintain (i) minimum capital adequacy ratios of 9.7%, 10.1%, 10.5%, 10.5% and 10.5%, (ii) minimum tier-one capital adequacy ratios of 7.7%, 8.1%, 8.5%, 8.5% and 8.5%, and (iii) minimum core tier-one capital adequacy ratios of 6.7%, 7.1%, 7.5%, 7.5% and 7.5%, respectively, as of December 31, 2016, 2017, 2018, 2019 and 2020.



The following table sets forth certain information relating to the Group's capital adequacy ratio as of the dates indicated.

<b>(Expressed in millions of RMB, unless otherwise stated)</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Core capital</b>		
Paid-up capital	<b>4,393.2</b>	4,184.0
Qualifying portion of capital reserve	<b>4,921.3</b>	5,148.6
Surplus reserve	<b>915.5</b>	814.1
General risk reserve	<b>2,077.9</b>	1,777.7
Investment revaluation reserve	<b>10.4</b>	12.0
Retained earnings	<b>1,353.2</b>	1,403.5
Qualifying portions of non-controlling interests	<b>1,475.3</b>	1,115.7
Core tier-one capital deductions <sup>(1)</sup>	<b>(554.4)</b>	(905.5)
<b>Net core tier-one capital</b>	<b>14,592.4</b>	13,550.1
Other tier-one capital <sup>(2)</sup>	<b>158.3</b>	146.9
<b>Net tier-one capital</b>	<b>14,750.7</b>	13,697.0
<b>Tier-two capital</b>		
Qualifying portion of tier-two capital instruments issued	<b>1,840.0</b>	1,910.0
Surplus reserve for loan impairment	<b>1,377.2</b>	1,092.8
Eligible portion of non-controlling interests	<b>358.0</b>	297.0
<b>Net capital base</b>	<b>18,325.9</b>	16,996.8
<b>Total risk-weighted assets</b>	<b>161,211.1</b>	141,841.5
<b>Core tier-one capital adequacy ratio (%)</b>	<b>9.05%</b>	9.55%
<b>Tier-one capital adequacy ratio (%)</b>	<b>9.15%</b>	9.66%
<b>Capital adequacy ratio (%)</b>	<b>11.37%</b>	11.98%

Notes:

- (1) Primarily includes other intangible assets excluding land use rights, goodwill and deferred tax recognized for tax losses.
- (2) Primarily includes tier-one capital instruments such as preferred shares and their premiums and eligible portion of non-controlling interests.

## 4. SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

### 4.1 Proposed Private Placement of Domestic Shares and Non-Public Issuance of H Shares

Based on the actual need of capital by the Bank, the Bank intended to replenish its core tier-1 capital by way of the issuance of new shares to support future business development of the Bank, ensure the continuous compliance of the Bank's capital level with the regulatory requirements and better support the real economy. The resolutions in relation to the private placement of domestic shares (the “**Private Placement of Domestic Shares**”) and the non-public issuance of H shares (the “**Non-public Issuance of H Shares**”) of the Bank had been approved by the Board at the Board meeting held on July 12, 2018. The Private Placement of Domestic Shares and the Non-public Issuance of H Shares were conditional upon each other so as to maintain the public float.

#### *(1) Private Placement of Domestic Shares*

The Bank intended to issue 200,000,000 to 400,000,000 domestic shares to no more than 10 qualified domestic institutional investors. The actual number of domestic shares to be issued shall be subject to the approval of the regulatory authorities.

#### *(2) Non-public Issuance of H Shares*

The Bank intended to issue no more than 151,800,000 H shares to no more than 10 investors who were qualified to subscribe for the H shares of the Bank. The number of H shares to be issued shall be subject to the approval of the regulatory authorities, market conditions and the actual situation of the Bank.

The resolutions in relation to the Private Placement of Domestic Shares and the Non-public Issuance of H Shares were approved at the second extraordinary general meeting of 2018, the first domestic share class meeting of 2018 and the first H share class meeting of 2018 held on September 5, 2018. The validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares was extended by resolutions adopted at the first extraordinary general meeting of 2019, the second domestic class meeting of 2019 and the second H share class meeting of 2019 held on October 24, 2019. As the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares expired on October 23, 2020, the extension of the validity period of the issue plans and relevant authorizations for the Private Placement of Domestic Shares and the Non-public Issuance of H Shares for 12 months was considered and approved at the Board meeting of the Bank held on August 28, 2020 as well as the first extraordinary general meeting of 2020, the second domestic share class meeting of 2020 and the second H share class meeting of 2020 held on October 22, 2020. For details of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares, please refer to the announcements dated July 12, 2018, August 23, 2019 and August 28, 2020 and the circulars dated August 15, 2018, September 13, 2019 and September 30, 2020 of the Bank, respectively.

As of the date of this announcement, the Bank has not issued any new domestic shares or H shares. The Bank will make timely disclosure on the latest development of the Private Placement of Domestic Shares and the Non-public Issuance of H Shares in accordance with the relevant laws and regulations and the Hong Kong Listing Rules.

## 4.2 Capital Reserve Capitalization

As resolved by the Board and considered and approved by shareholders at the 2019 annual general meeting, the first domestic share class meeting of 2020 and the 2020 first H share class meeting of 2020 of the Bank held on June 18, 2020, the Bank issued new shares by way of capitalization of capital reserve to the holders of domestic shares and H shares whose names appeared on the share register of the Bank at the close of business on Monday, June 29, 2020 on the basis of 5 new shares for every 100 existing shares held by the shareholders (the “**Capitalization Issue**”). Based on the 4,184,037,577 shares of the Bank in issue as at April 22, 2020, the total number of new shares issued by way of capitalization of capital reserve is 209,201,878 shares, including 169,354,378 shares issued to holders of domestic shares and 39,847,500 shares issued to holders of H shares. Immediately following the completion of the Capitalization Issue, the total number of shares in issue of the Bank is 4,393,239,455 shares, including 3,556,441,955 domestic shares and 836,797,500 H shares. The listing and trading of the new H shares under the Capitalization Issue have been approved by the Hong Kong Stock Exchange, and the Capitalization Issue has been approved by the CBIRC. The listing and trading of the new H shares on the Hong Kong Stock Exchange commenced on August 14, 2020.

The Bank has also changed its registered capital and amended its articles of association (the “**Articles of Association**”) to reflect the change in registered capital as a result of the Capitalization Issue.

## 4.3 Amendments to the Articles of Association

Due to the change of the registered capital and share structure of the Bank upon completion of the Capitalization Issue, the Bank amended the provisions of its Articles of Association in relation with its registered capital and share structure. Relevant amendments were approved by its shareholders at the 2019 annual general meeting held on June 18, 2020.

The Capitalization Issue was completed on August 14, 2020. The above amendments have been approved by Jilin Bureau of the CBIRC on August 18, 2020 and became effective from the same day. For details of such amendments, investors please refer to the circular of the Bank dated April 27, 2020 on the website of the Bank ([www.jtnsh.com](http://www.jtnsh.com)) and the designated website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## 5. OTHER INFORMATION

### 5.1 Corporate Governance

The Bank believes that maintaining high standards of corporate governance mechanisms and high quality of corporate governance is one of the key factors to improve its core competitiveness and to build a modern rural commercial bank. Therefore, the Bank has been committed to maintaining high quality of corporate governance and actively abiding by the best domestic and international corporate governance practices in order to ensure the rights and interests of shareholders and improve the value of the Bank.

The Bank has established a modern corporate governance structure in accordance with its Articles of Association, PRC laws and regulations and the Hong Kong Listing Rules. The Board is accountable to the shareholders as a whole and is responsible for, among others, determining the Group's business development strategies, business plans and investment proposals, appointing or removing senior management, and deciding matters such as the setting of internal management structure. The Board has established committees to perform specified functions, including the strategy and development committee, the related-party transactions control committee, the remuneration committee, the nomination committee, the risk management committee, the audit committee, the consumer rights protection committee and the three rurals financial services committee. The Board of Supervisors is accountable to the shareholders as a whole and has the responsibility and power to supervise the Directors and senior management and oversee the Group's financial activities, risk management and internal control.

The Bank has incorporated the Code of Corporate Governance (the “**Code of Corporate Governance**”) as set out in Appendix 14 to the Hong Kong Listing Rules and the Guidelines on Corporate Governance of Commercial Banks issued by the CBIRC (the “**Guidelines**”) into the Bank's governance structure and policies. The Code of Corporate Governance and the Guidelines are well reflected in the Articles of Association and the rules of procedures of the shareholders' general meeting, the Board and the committees under the Board. The Bank's shareholders' general meeting, the Board and the Board of Supervisors perform their respective duties and form a good corporate governance structure. The Bank closely monitors its operation to ensure that it complies with the relevant requirements under applicable laws, regulations, codes, guidelines and the Bank's internal policies.

During the Reporting Period, the Bank has fully complied with all provisions contained in the Code of Corporate Governance. The Directors are not aware of any information which indicates any non-compliance of the Bank with the provisions contained in the Code of Corporate Governance. The Bank has also strictly complied with the provisions regarding management of inside information required by applicable laws and regulations and the Hong Kong Listing Rules.

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

## 5.2 Securities Transactions by Directors, Supervisors and Senior Management

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

Having made specific enquiries to all Directors, Supervisors and members of the senior management of the Bank, the Bank confirmed that they had complied with the Model Code during the Reporting Period.

## 5.3 Profit and Dividend

The revenue of the Group for the year ended December 31, 2020 and the financial position of the Group as at the same day are set out in the financial report of this announcement.

The Board has recommended a payment of final dividend of RMB658,985,918.25 in total (tax inclusive) for the year ended December 31, 2020. Based on the number of shares on the record date for dividend distribution, the Bank will distribute a cash dividend of RMB0.15 (tax inclusive) for each share. If the above profit distribution proposal for 2020 is approved by the 2020 annual general meeting of the Bank (the “**AGM**”), the distribution date of the final dividend for 2020 will be on or before August 13, 2021. If there is any changes in the expected distribution date, further announcements will be made.

The final dividend for 2020 shall be distributed to holders of domestic shares and H shares whose names appeared on the share register of the Bank at the close of business on Wednesday, June 30, 2021. To determine the identity of the shareholders entitled to receive the final dividend, the Bank’s H share register will be closed from Friday, June 25, 2021 to Wednesday, June 30, 2021 (both days inclusive), during which period no transfer of H shares will be registered. In order to be entitled to the final dividend for 2020, shareholders are required to deposit all share certificates together with the transfer documents with the H share registrar of the Bank, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Thursday, June 24, 2021.

The proposed dividends payable are denominated in Renminbi, and will be paid to holders of domestic shares in Renminbi and holders of H shares in Hong Kong dollars. The exchange rate for calculation of dividends payable in Hong Kong dollars will be the central parity rate of the average exchange rate of Renminbi to Hong Kong dollars quoted by the People’s Bank of China on the five working days preceding the date of declaration of the dividend at the AGM (June 18, 2021, inclusive).

The cash dividends and the cash dividends as percentage of profit for the year of the Bank for the last three years are set out below:

(in millions of RMB, unless otherwise stated)	2020	2019	2018
Cash dividends (tax inclusive)	<b>658.99</b>	753.13	717.26
Cash dividends as percentage of profit for the year (%)	<b>54.9</b>	63.0	60.6



## 5.4 Tax Relief

### *(1) Withholding and Payment of Enterprise Income Tax for Non-resident Enterprise Shareholders*

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules and the relevant regulations, the Bank has the obligation to withhold and pay enterprise income tax at a tax rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the H share register in the distribution of final dividend for 2020. As any shares registered in the name of non-individual shareholders, including HKSCC Nominees Limited, other nominees, trustees or other organizations and groups, will be treated as being held by non-resident enterprise shareholders, the dividends received shall be subject to the withholding of enterprise income tax.

Upon receipt of such dividends, a non-resident enterprise shareholder may apply to the competent tax authorities for relevant treatment under the tax treaties (arrangements) in person or through a proxy or a withholding agent, and provide evidence in support of its status as a beneficial owner as defined in the tax treaties (arrangements). Upon verification by the competent tax authorities, the difference between the tax levied and the amount of tax payable as calculated at the tax rate under the tax treaties (arrangements) will be refunded.

### *(2) Withholding and Payment of Individual Income Tax for Individual Overseas Resident Shareholders*

According to the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation rules and the Announcement of the State Administration of Taxation on Promulgating the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (Announcement of the State Administration of Taxation 2015 No. 60) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協定待遇管理辦法〉的公告》(國家稅務總局公告 2015 年第 60 號)) (the “**Tax Convention Announcement**”), the Bank has the obligation to withhold and pay individual income tax on behalf of the individual shareholders whose names appear on the H share register (the “**Individual H Shareholder(s)**”) in the distribution of final dividend for 2020. However, Individual H Shareholders are entitled to the relevant favourable tax treatments pursuant to the provisions in the tax treaties between the countries (regions) in which they are domiciled and the PRC, and the tax arrangements between the PRC and Hong Kong (or Macau). As such, the Bank will withhold and pay the individual income tax on behalf of the Individual H Shareholders in accordance with the following arrangements:

- for the Individual H Shareholders receiving dividends who are Hong Kong or Macau residents or citizens from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 10%, the Bank will withhold and pay individual income tax at the rate of 10% in the distribution of final dividend;

- for the Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of less than 10%, the Bank will temporary withhold and pay individual income tax at the rate of 10% in the distribution of final dividend. If relevant Individual H Shareholders would like to apply for a refund of the excess amount of tax withheld and paid, the Bank will handle, on their behalf, the applications for tax preferential treatments under relevant tax treaties according to the Tax Convention Announcement. Qualified shareholders shall submit in time a letter of entrustment and all application materials as required under the Tax Convention Announcement to the Bank's H share registrar, Computershare Hong Kong Investor Services Limited. The Bank will then submit the above documents to competent tax authorities and, after their examination and approval, the Bank will assist in refunding the excess amount of tax withheld and paid;
- for the Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of more than 10% but less than 20%, the Bank will withhold and pay individual income tax at the effective tax rate stipulated in the relevant tax treaty in the distribution of final dividend;
- for the Individual H Shareholders receiving dividends who are residents from countries (regions) that have entered into a tax treaty with the PRC stipulating a tax rate of 20% or without tax treaties with the PRC or under other circumstances, the Bank will withhold and pay individual income tax at the rate of 20% in the distribution of final dividend.

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Bank. Shareholders of the Bank are taxed and/or entitled to enjoy tax relief in accordance with the aforementioned regulations.

## 5.5 Plan of Capital Reserve Capitalization

The Board proposed to issue new shares by way of capitalization of capital reserve to the holders of domestic shares and H shares whose names appear on the share register of the Bank at the close of business on Wednesday, June 30, 2021 on the basis of 5 new shares for every 100 existing shares held by the shareholders (the “**Proposed Capitalization Issue**”). Based on the 4,393,239,455 shares of the Bank in issue as at December 31, 2020, the total number of new shares to be issued by way of capitalization of capital reserve would be 219,661,972 shares, including 177,822,097 shares to be issued to holders of domestic shares and 41,839,875 shares to be issued to holders of H shares. Upon completion of the Proposed Capitalization Issue, the total number of shares in issue of the Bank will be 4,612,901,427 shares, including 3,734,264,052 domestic shares and 878,637,375 H shares.

Fractional domestic shares arising from the Proposed Capitalization Issue will be aggregated and one new share will be issued to each of the holders of domestic shares in descending order based on the decimal number of their fractional domestic shares, until the actual number of domestic shares issued equals the total number of domestic shares issued under the Proposed Capitalization Issue. If the number of holders of domestic shares with the same decimal number of fractional domestic shares exceeds the remaining shares, such remaining shares shall be randomly allotted by computer, which shall be conclusively evidenced by the results announced by China Securities Depository and Clearing Co., Ltd. The H shares under the Proposed Capitalization Issue shall be issued on a pro rata basis and any fractional shares will be rounded down to the nearest whole number. Fractional H shares will not be issued and allotted, but will be aggregated and sold for the benefit of the Bank. The Proposed Capitalization Issue shall be subject to the approval by way of special resolution at the AGM, the domestic share class meeting and the H share class meeting, the approval of the Hong Kong Stock Exchange for the listing and trading of H shares to be issued under the Proposed Capitalization Issue and the approval of the CBIRC. The Bank shall also comply with the relevant legal procedures and regulations according to the Company Law of the PRC.

The Board also proposed to change its registered capital and amend its Articles of Association to reflect the change in registered capital as a result of the Proposed Capitalization Issue. The change in the registered capital and amendments to the Articles of Association of the Bank shall be subject to the approval of the AGM by way of special resolution.

The circular containing, among other things, detailed arrangements regarding the Proposed Capitalization Issue (including, but not limited to, the timing, book close and the arrangements for fractional shares and overseas shareholders) together with the notices of the AGM and the H share class meeting will be despatched to the holders of H shares of the Bank in due course.



## 5.6 AGM and H shareholders class meeting and Book Closure Dates

The AGM and H shareholders class meeting will be held on Friday, June 18, 2021. In order to determine the holders of H shares who are eligible to attend the AGM and/or H shareholders class meeting, the register of holders of H shares of the Bank will be closed from Wednesday, May 19, 2021 to Friday, June 18, 2021 (both days inclusive), during which period no transfer of H shares will be registered.

In order to qualify for attending the AGM and/or H shareholders class meeting, share certificates accompanied by instruments of transfer must be lodged with the Bank's H share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, May 17, 2021. Holders of H shares of the Bank who are registered with Computershare Hong Kong Investor Services Limited on Thursday, June 17, 2021 are entitled to attend the AGM and/or H shareholders class meeting.

An H shareholder or his/her proxy should present proof of identity when attending the AGM and/or H shareholders class meeting. If an H shareholder is a legal person, its legal representative or other person authorized by the board of directors or other governing body of such shareholder may attend the AGM and/or H shareholders class meeting by providing a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting(s).

## 5.7 Purchase, Sale or Redemption of Listed Securities of the Bank

The share capital of the Bank as at the date of this announcement is set out below:

Description of shares	Number of shares	Approximate
		percentage of issued share capital
Domestic shares	3,556,441,955	81.0%
H shares	836,797,500	19.0%
<b>Total</b>	<b>4,393,239,455</b>	<b>100.0%</b>

The Bank and any of its subsidiaries had not purchased, sold or redeemed any of the Bank's listed securities during the Reporting Period.

## 5.8 Effect of the novel coronavirus pneumonia

Since the outbreak of COVID-19, the Bank has strictly complied with all policies promulgated by the Party and government and requirements of local governments at all level and competent authorities. Assuming the responsibilities and obligations as a regional financial enterprise, the Bank has been committed to providing high-quality financial services while preventing and controlling the pandemic effectively, and strongly supporting the pandemic prevention and economic and social development. The Bank formulated emergency plan for pandemic, purchased materials in a timely manner, organized test for COVID-19 for all employees, implemented flexible working arrangement and sterilized all facilities. None of our employees has been infected with COVID-19 and no confirmed case of COVID-19 has been founded in our outlets and offices. The Bank made donation to various organizations to support pandemic prevention and control of the local government. The Bank adjusted its operation strategies and implemented reasonable working arrangement of its outlets. The Bank provided its customers with a wide range of financial services through internet banking, mobile banking, telephone banking, WeChat banking, TV banking and other online channels. In addition, the Bank strictly followed the policies of the regulators and government authorities to provide financial supports for pandemic prevention and control and resumption of work and production, and put great efforts in accomplishing the tasks of “six stability” and “six guarantees”. In order to support SMEs affected by the pandemic to tide over difficulties and provide strong financial support for recovery and development of local economy, the Bank took special measures, established green channel, offered preferential interest rate and deferred repayment of principal and interest.

In 2020, in the face of the outbreak of COVID-19 and huge changes in international political and economic situations, the Chinese government coordinated the pandemic prevention and control while maintaining economic and social development. Remarkable result was achieved in pandemic prevention and control. With the resumption of work, production and economic activities in the market and the implementation of “six stability” and “six guarantees” policies, the Chinese economy surpassed other economies in the world and showed recovery and growth. The Bank also managed to maintain stable growth. Looking forward, the Bank will put great efforts in preventing and controlling pandemic in its daily operation and establishing “Four in One Mechanism” which integrates finance for three rurals, community finance, cooperation platform and charity works. The Bank will put utmost efforts to minimize the adverse effects brought by the pandemic and move steadily toward its goal of high-quality development.

## 6. FINANCIAL REPORT

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest income		10,371,063	8,722,512
Interest expenses		(5,272,633)	(4,557,085)
Net interest income	4	5,098,430	4,165,427
Fee and commission income		268,891	348,951
Fee and commission expenses		(38,341)	(32,485)
Net fee and commission income	5	230,550	316,466
Net trading gains	6	149,773	609,784
Dividend income		59,422	64,698
Net gains arising from investment securities	7	46,454	21,121
(Losses)/gains on disposal of associates		(37,092)	37,510
Net exchange gains		10,241	5,762
Other operating (expenses) income, net	8	(11,014)	90,670
Operating income		5,546,764	5,311,438
Operating expenses	9	(2,743,732)	(2,787,448)
Impairment losses on assets, net of reversals	10	(1,306,607)	(1,088,080)
Operating profit		1,496,425	1,435,910
Share of profits of associates		44,590	67,564
Profit before tax		1,541,015	1,503,474
Income tax expense	11	(341,352)	(307,779)
<b>Profit for the year</b>		<b>1,199,663</b>	<b>1,195,695</b>
Earnings per share			(Restated)
— Basic and diluted (RMB cents)	12	25.14	23.72

	Notes	2020	2019
		<u>RMB'000</u>	<u>RMB'000</u>
<b>Profit for the year</b>		<u>1,199,663</u>	<u>1,195,695</u>
<b>Other comprehensive income/(expense) for the year:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
— Financial assets at fair value through other comprehensive income			
— Changes in fair value recognised in investment revaluation reserve		2,530	44,084
— Reclassified to the profit or loss upon disposal		(6,345)	11,564
— Changes in allowance for expected credit loss		(5,935)	4,950
— Income tax relating to item that may be reclassified subsequently		2,254	(15,440)
— Release of reserve upon disposal of an associate		(958)	(172)
— Share of other comprehensive income of associates		(2,275)	(1,793)
		<u>(10,729)</u>	<u>43,193</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
— Financial assets at fair value through other comprehensive income			
— Fair value gain on investments in equity investments		8,107	668
<b>Other comprehensive (expense)/income for the year, net of tax</b>		<u>(2,622)</u>	<u>43,861</u>
<b>Total comprehensive income for the year</b>		<u><u>1,197,041</u></u>	<u><u>1,239,556</u></u>

Notes	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year attributable to:</b>		
— Owners of the Bank	<b>1,104,416</b>	1,042,146
— Non-controlling interests	<b>95,247</b>	153,549
	<b>1,199,663</b>	1,195,695
<b>Total comprehensive income for the year attributable to:</b>		
— Owners of the Bank	<b>1,102,778</b>	1,084,476
— Non-controlling interests	<b>94,263</b>	155,080
	<b>1,197,041</b>	1,239,556

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Notes	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Assets</b>			
Cash and deposits with the central bank		25,155,026	23,626,361
Deposits with banks and other financial institutions		8,396,699	6,193,346
Placements with banks and other financial institutions		729,253	1,814,046
Financial assets held under resale agreements	13	1,102,000	99,960
Financial assets at fair value through profit or loss	14	3,200,209	9,538,413
Interests receivables		874,287	939,845
Loans and advances to customers	15	126,574,552	93,394,198
Financial assets at fair value through other comprehensive income	16	2,526,111	6,670,888
Financial assets measured at amortised cost	17	24,772,682	23,008,859
Interests in associates		1,005,130	1,588,632
Property and equipment		3,249,491	3,986,902
Right-of-use assets		664,240	791,493
Goodwill		401,335	401,335
Deferred tax assets		773,222	561,496
Other assets		939,033	659,770
<b>Total assets</b>		<b>200,363,270</b>	<b>173,275,544</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Borrowings from the central bank		4,010,960	3,345,160
Deposits from banks and other financial institutions		8,335,923	6,277,616
Placements from banks and other financial institutions		7,101,496	4,379,496
Financial assets sold under repurchase agreements	18	2,654,900	2,610,800
Deposits from customers		149,763,189	122,840,400
Accrued staff costs		176,684	199,350
Tax payable		223,806	180,063
Interests payable		2,990,824	2,204,889
Debt securities issued	19	7,504,526	14,220,057
Lease liabilities		591,499	711,903
Other liabilities		758,278	645,634
<b>Total liabilities</b>		<b>184,112,085</b>	<b>157,615,368</b>
<b>Equity</b>			
Share capital		4,393,239	4,184,037
Capital reserve		4,921,340	5,148,616
Investment revaluation reserve		10,401	12,038
Surplus reserve		915,524	814,076
General reserve		2,077,865	1,777,674
Retained earnings		1,353,162	1,403,512
<b>Total equity attributable to owners of the Bank</b>		<b>13,671,531</b>	<b>13,339,953</b>
Non-controlling interests		2,579,654	2,320,223
<b>Total equity</b>		<b>16,251,185</b>	<b>15,660,176</b>
<b>Total liabilities and equity</b>		<b>200,363,270</b>	<b>173,275,544</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As 1 January 2020	4,184,037	5,148,616	12,038	814,076	1,777,674	1,403,512	13,339,953	2,320,223	15,660,176
Profit for the year	—	—	—	—	—	1,104,416	1,104,416	95,247	1,199,663
Other comprehensive expense for the year	—	—	(1,637)	—	—	—	(1,637)	(985)	(2,622)
Total comprehensive (expense) income for the year	—	—	(1,637)	—	—	1,104,416	1,102,779	94,262	1,197,041
Changes in ownership in subsidiaries without changes in control	—	(18,074)	—	—	—	—	(18,074)	233,116	215,042
Changes in share capital									
— Capitalisation of capital reserve	209,202	(209,202)	—	—	—	—	—	—	—
Appropriation of profits									
— Appropriation to surplus reserve	—	—	—	101,448	—	(101,448)	—	—	—
— Appropriation to general reserve	—	—	—	—	300,191	(300,191)	—	—	—
— Dividends recognised as distribution (Note 20)	—	—	—	—	—	(753,127)	(753,127)	—	(753,127)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(67,947)	(67,947)
At 31 December 2020	4,393,239	4,921,340	10,401	915,524	2,077,865	1,353,162	13,671,531	2,579,654	16,251,185
	Attributable to owners of the Bank							Non-controlling interests	Total
	Share Capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As 1 January 2019	3,984,797	5,331,249	(30,292)	724,671	1,571,192	1,374,517	12,956,134	2,151,504	15,107,638
Profit for the year	—	—	—	—	—	1,042,146	1,042,146	153,549	1,195,695
Other comprehensive expense for the year	—	—	42,330	—	—	—	42,330	1,531	43,861
Total comprehensive income for the year	—	—	42,330	—	—	1,042,146	1,084,476	155,080	1,239,556
Changes in ownership in subsidiaries without changes in control	—	16,607	—	—	—	—	16,607	61,974	78,581
Changes in share capital									
— Capitalisation of capital reserve	199,240	(199,240)	—	—	—	—	—	—	—
Appropriation of profits									
— Appropriation to surplus reserve	—	—	—	89,405	—	(89,405)	—	—	—
— Appropriation to general reserve	—	—	—	—	206,482	(206,482)	—	—	—
— Dividends recognised as distribution (Note 20)	—	—	—	—	—	(717,264)	(717,264)	—	(717,264)
— Dividends paid to non-controlling interests	—	—	—	—	—	—	—	(48,335)	(48,335)
At 31 December 2019	4,184,037	5,148,616	12,038	814,076	1,777,674	1,403,512	13,339,953	2,320,223	15,660,176

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit before tax for the year	1,541,015	1,503,474
Adjustments for:		
Interest income from financial investments	(1,469,813)	(1,465,535)
Share of profits of associates	(44,590)	(67,564)
Dividend income	(59,422)	(64,698)
Government grants	(29,315)	(49,437)
Losses/(gains) on disposal of associates	37,092	(37,510)
Net gains arising from investment securities	(46,454)	(21,121)
Gain on disposal of property and equipment	(3,523)	(17,064)
Gain on early termination of lease agreements	(11,915)	(3,198)
Impairment losses on assets, net of reversals	1,306,607	1,088,080
Interest expense on debts securities issued	452,926	796,421
Depreciation of property and equipment	367,072	317,026
Interest income from impaired loans and advances to customers and impaired financial assets measured at amortised cost	301,038	278,125
Depreciation of right-of-use assets	194,894	185,663
Net unrealised trading losses	234,806	48,312
Interest expense on lease liabilities	30,433	34,857
Amortisation of long-term deferred expenses	32,123	27,732
	<b>2,832,974</b>	<b>2,553,563</b>
<b>Changes in operating assets</b>		
Net increase in loans and advances to customers	(34,102,147)	(18,691,564)
Net increase in other assets	(361,523)	(189,621)
Net increase in deposits with the central bank	(693,346)	(65,674)
Net increase in interest receivables	(210,357)	(33,340)
Net decrease in financial assets at fair value through profit or loss	6,314,370	6,947,925
Net decrease in deposits and placements with the banks and other financial institutions	1,486,460	3,103,886
	<b>(27,566,543)</b>	<b>(8,928,388)</b>
<b>Changes in operating liabilities</b>		
Net decrease/(increase) in financial assets sold under repurchase agreements	44,100	(5,795,920)
Net increase in deposits from customers	26,922,789	13,319,239
Net increase in placements from banks and other financial institutions	2,722,000	3,273,000
Net increase in deposits from banks and other financial institutions	2,058,307	1,566,350
Net increase in borrowing from central bank	665,800	968,640
Net increase in interests payable	785,802	455,141
Net increase in other liabilities	69,494	151,842
Net (decrease)/increase in accrued staff costs	(22,666)	36,267
	<b>33,245,626</b>	<b>13,974,559</b>
<b>Cash generated from operations</b>	<b>8,512,057</b>	<b>7,599,734</b>
Income tax paid	(507,081)	(363,690)



	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>8,004,976</b>	7,236,044
<b>INVESTING ACTIVITIES</b>		
Payments on acquisition of financial investments	(25,534,109)	(13,442,127)
Payments on acquisition of property and equipment	(310,340)	(350,089)
Proceeds from disposal of financial investments	27,606,898	13,435,599
Interest income from financial investments	1,502,912	1,081,005
Proceeds from disposal of property and equipment	686,793	72,637
Net proceeds from disposal of interests in associates	327,100	521,235
Dividend income received from equity investments	59,422	64,698
Dividend received from associates	49,695	49,476
Proceeds from disposal of right-of-use assets	—	18,030
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<b>4,388,371</b>	1,450,464
<b>FINANCING ACTIVITIES</b>		
Repayment of debt securities issued	(14,420,000)	(19,690,000)
Dividends paid	(753,123)	(717,264)
Payment on lease liabilities	(176,130)	(161,434)
Interest paid on debts securities issued	(137,067)	(137,200)
Dividends paid to non-controlling interests	(67,947)	(48,335)
Interest paid on lease liabilities	(30,433)	(34,857)
Net proceeds from issue of new debt securities	7,388,743	12,698,654
Proceeds from disposals and dilutions of interests in subsidiaries without loss in control	215,042	78,581
Government grants received	29,315	49,437
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(7,951,600)</b>	(7,962,418)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>4,441,747</b>	724,090
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>16,820,070</b>	16,095,980
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>21,261,817</b>	16,820,070
Interest received	10,487,200	8,913,204
Interest paid (excluding interest expense on debts securities issued and lease liabilities)	(4,003,472)	(3,270,666)

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

## 1. GENERAL

The Bank, formerly known as Jiutai Rural Credit Cooperative Union, is a joint stock commercial bank established on 16 December 2008 with approval of the China Banking and Insurance Regulatory Commission (the “CBIRC”) (YinFu 2008 No.320) on 15 December 2008.

The Bank obtained its finance permit No. B1001H222010001 from the CBIRC Jilin Bureau. The Bank obtained its business license (Unified Social Credit Code: 912200001243547911) from Jilin Administration of Industry and Commerce. The legal representative is Gao Bing and the address of the registered office is No. 504 Xinhua Main Street, Jiutai District, Changchun, the People’s Republic of China (the “PRC”).

As at 31 December 2020, the Bank has established 3 branches and 80 sub-branches. The Bank has 35 subsidiaries. The principal activities of the Bank and its subsidiaries (collectively referred to as the “Group”) are the provision of corporate and retail deposits, loans and advances, payment and settlement services, as well as other banking services as approved by the CBIRC. The Group operates in mainland China.

On 12 January 2017, the Bank’s H shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (Stock code: 6122).

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

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

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

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRSs and the amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## New and revised IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts and related Amendments <sup>5</sup>
Amendments to IFRS 3	Reference to Conceptual Framework <sup>3</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>5</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>5</sup>
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use <sup>3</sup>
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>3</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>1</sup>
Amendment to IFRS 16	COVID-19-Related Rent Concessions <sup>4</sup>
Amendment to IFRSs	Annual Improvements to IFRSs 2018–2020 cycle <sup>3</sup>
Amendments to IAS 8	Disclosure of Accounting Estimates <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2023.

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

### 4. NET INTEREST INCOME

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Interest income arising from		
— Deposits with the central bank	<b>186,572</b>	195,510
— Deposits with banks and other financial institutions	<b>154,915</b>	410,512
— Placements with banks and other financial institutions	<b>97,837</b>	89,113
— Financial assets at fair value through other comprehensive income (“FVTOCI”)	<b>252,473</b>	221,021
— Financial assets measured at amortised cost	<b>1,217,340</b>	1,244,514
— Loans and advances to customers:		
Corporate loans and advances		
— Loans	<b>6,418,123</b>	4,749,131
— Finance lease loans	<b>124,370</b>	134,932
Personal loans and advances	<b>1,692,450</b>	1,596,842
Discounted bills	<b>38,516</b>	8,213
— Financial assets held under resale agreements	<b>188,467</b>	72,724
	<b>10,371,063</b>	8,722,512
Less: Interest expenses arising from		
— Borrowings from the central bank	<b>(42,672)</b>	(32,038)
— Deposits from banks and other financial institutions	<b>(395,763)</b>	(197,703)
— Placements from banks and other financial institutions	<b>(271,614)</b>	(88,558)
— Deposits from customers:		
Corporate customers	<b>(1,157,497)</b>	(1,045,670)
Individual customers	<b>(2,811,460)</b>	(2,202,828)
— Financial assets sold under repurchase agreements	<b>(110,268)</b>	(159,010)
— Debts securities issued	<b>(452,926)</b>	(796,421)
— Lease liabilities	<b>(30,433)</b>	(34,857)
	<b>(5,272,633)</b>	(4,557,085)
	<b>5,098,430</b>	4,165,427

## 5. NET FEE AND COMMISSION INCOME

	<u>2020</u>	<u>2019</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Fee and commission income		
— Advisory fees	<b>137,388</b>	227,190
— Settlement and clearing fees	<b>29,434</b>	25,518
— Wealth management service fees	<b>19,515</b>	1,598
— Agency service fees	<b>18,516</b>	27,100
— Syndicated loan service fees	<b>59,547</b>	59,151
— Bank card service fees	<b>3,992</b>	4,099
— Others	<b>499</b>	4,295
	<u><b>268,891</b></u>	<u>348,951</u>
Fee and commission expense		
— Settlement and clearing fees	<b>(25,008)</b>	(24,829)
— Others	<b>(13,333)</b>	(7,656)
	<u><b>(38,341)</b></u>	<u>(32,485)</u>
	<u><b>230,550</b></u>	<u>316,466</u>

## 6. NET TRADING GAINS

	<u>2020</u>	<u>2019</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Investment income from financial assets at fair value through profit or loss (“FVTPL”) (Note)	<u><b>149,773</b></u>	<u>609,784</u>

Note:

The investment income from financial assets at FVTPL includes interest income from financial assets at FVTPL of approximately RMB351,617,000 for the year ended 31 December 2020 (2019: approximately RMB657,927,000).

## 7. NET GAINS ARISING FROM INVESTMENT SECURITIES

	<u>2020</u>	<u>2019</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Net gains on disposal of financial assets measured at amortised cost	<b>9,029</b>	5,424
Net gains on disposal of financial assets at FVTOCI	<b>31,080</b>	27,261
Net revaluation losses reclassified from other comprehensive income upon disposal	<b>6,345</b>	(11,564)
	<u><b>46,454</b></u>	<u>21,121</u>

## 8. OTHER OPERATING (EXPENSE) INCOME, NET

	<u>2020</u>	<u>2019</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Government grants (Note)	<b>29,315</b>	49,437
Gain on disposal of property and equipment	<b>3,523</b>	17,064
Gain on early termination of lease agreements	<b>11,915</b>	3,198
Other operating (expense) income	<b>(55,767)</b>	20,971
	<u><b>(11,014)</b></u>	<u>90,670</u>

Note:

Government grants recognised as other income are awarded to the Group by the PRC government as incentives primarily to encourage the development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

## 9. OPERATING EXPENSES

	2020	2019
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Staff costs (including directors' and supervisors' emoluments)		
— Salaries and bonuses	<b>1,218,542</b>	1,149,012
— Staff welfares	<b>106,229</b>	93,079
— Social insurance	<b>143,365</b>	292,492
— Housing allowances	<b>99,512</b>	87,943
— Labour union and staff education expenses	<b>24,507</b>	26,378
	<b>1,592,155</b>	1,648,904
Premises and equipment expenses		
— Depreciation of property and equipment	<b>367,072</b>	317,026
— Amortisation of long-term deferred expenses	<b>32,123</b>	27,732
— Rental and property management expenses	<b>47,709</b>	56,895
— Depreciation of right-of-use assets	<b>194,894</b>	185,663
	<b>641,798</b>	587,316
Other tax and surcharges	<b>83,511</b>	74,293
Other general and administrative expenses (Note)	<b>426,268</b>	476,935
	<b>2,743,732</b>	2,787,448

Note:

Auditor's remuneration for the year ended 31 December 2020 was RMB3,160,000 (2019: RMB3,160,000).



## 10. IMPAIRMENT LOSSES ON ASSETS, NET OF REVERSALS

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Loans and advances to customers	<b>863,571</b>	602,550
Other receivables and repossessed assets	<b>47,546</b>	17,095
Debt securities financial assets at FVTOCI	<b>(5,935)</b>	4,950
Deposits with bank and other financial institutions	<b>(425)</b>	(5,666)
Placements with banks and other financial institutions	<b>(207)</b>	(1,102)
Provision for credit commitments and financial guarantees	<b>43,146</b>	(6)
Financial assets measured at amortised costs	<b>358,911</b>	470,259
	<b><u>1,306,607</u></b>	<b><u>1,088,080</u></b>

## 11. INCOME TAX EXPENSE

Income tax:

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax:		
— Mainland China Enterprise Income Tax	<b>548,765</b>	475,200
Under provision in prior years:		
— Mainland China Enterprise Income Tax	<b>2,059</b>	3,889
Deferred tax		
— Current year	<b>(209,472)</b>	(171,310)
	<b><u>341,352</u></b>	<b><u>307,779</u></b>

Under the Law of the Mainland China on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Mainland China companies is 25%.

## 12. EARNINGS PER SHARE

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

	<u>2020</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year attributable to owners of the Bank	<u>1,104,416</u>	<u>1,042,146</u>
		<i>(restated)</i>
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share ('000)	<u>4,393,239</u>	<u>4,393,239</u>

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

The weighted average number of ordinary shares in issue during the year ended 31 December 2020 and 2019 has been adjusted retrospectively taking into account the capitalisation issue of 209,201,878 ordinary shares (2019: 199,239,885 ordinary share) as if the capitalisation issue had been effective on 1 January 2019 (2019: 1 January 2018).

## 13. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

### (a) Analysed by type and location of counterparty

	<u>2020</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>
In Mainland China		
— Banks	—	99,960
— Other financial institutions	<u>1,102,000</u>	<u>—</u>
	<u>1,102,000</u>	<u>99,960</u>

### (b) Analysed by type of security held

	<u>2020</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Debt securities		
— Government	<u>1,102,000</u>	<u>99,960</u>

## 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2020</u>	<u>2019</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Unlisted equity investments measured at FVTPL (Notes (a))	<b>1,178,502</b>	1,205,654
Other debt instruments (Notes (b))	<b>2,021,707</b>	8,332,759
	<b><u>3,200,209</u></b>	<b><u>9,538,413</u></b>

Notes:

- (a) Unlisted equity investments measured at FVTPL

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC.

- (b) Other debt instruments

Other debt securities represented investments, financed by the proceeds raised from principal-guaranteed wealth management products issued by the Group. The Group accounts for the corresponding investment funds under deposits from customers.

## 15. LOANS AND ADVANCES TO CUSTOMERS

	<u>2020</u>	<u>2019</u>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
<b>Gross loans and advances to customers</b>		
Corporate loans and advances		
— Loans	<b>103,553,361</b>	71,018,305
— Finance lease loans	<b>2,077,835</b>	2,251,837
	<u><b>105,631,196</b></u>	<u>73,270,142</u>
<b>Personal loans and advances</b>		
— Personal business loans	<b>17,954,210</b>	16,700,117
— Personal consumption loans	<b>2,656,048</b>	2,771,082
— Credit card overdrafts	<b>21,491</b>	24,734
— Residential and commercial mortgage loans	<b>3,813,526</b>	3,337,886
	<u><b>24,445,275</b></u>	<u>22,833,819</u>
	<u><b>130,076,471</b></u>	<u>96,103,961</u>
<b>Less: Provision for impairment losses</b>		
— Individually assessed	<b>(1,240,419)</b>	(800,960)
— Collectively assessed	<b>(2,261,500)</b>	(1,908,803)
	<u><b>(3,501,919)</b></u>	<u>(2,709,763)</u>
	<u><b>126,574,552</b></u>	<u>93,394,198</u>

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Debt securities issued by the following institutions in Mainland China		
— Government	1,939,178	1,967,780
— Banks and other financial institutions	323,033	728,636
— Corporations	110,508	684,393
— Interbank deposits	—	2,803,021
	<u>2,372,719</u>	<u>6,183,830</u>
Asset management plans	—	341,773
Unlisted equity investments measured at FVTOCI	<u>153,392</u>	<u>145,285</u>
	<u>153,392</u>	<u>487,058</u>
	<u><u>2,526,111</u></u>	<u><u>6,670,888</u></u>
Analysed as:		
Listed outside Hong Kong	2,372,719	6,183,830
Unlisted outside Hong Kong	<u>153,392</u>	<u>487,058</u>
	<u><u>2,526,111</u></u>	<u><u>6,670,888</u></u>

The Group made an irrevocable election to present changes in the fair value of certain of its equity investments in OCI.

Debt securities included in FVTOCI are traded on the China Interbank Bond Market and are included in “Listed outside Hong Kong”.

At 31 December 2020 and 2019, parts of financial assets at FVTOCI were pledged as security for repurchase agreement.

## 17. FINANCIAL ASSETS MEASURED AT AMORTISED COST

	2020	2019
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
Debt securities issued by the following institutions in Mainland China		
— Government	<b>6,330,653</b>	5,579,410
— Banks and other financial institutions	<b>1,836,265</b>	531,695
— Corporations	<b>431,388</b>	—
	<b>8,598,306</b>	6,111,105
Trust plans	<b>9,822,250</b>	10,419,566
Asset management plans	<b>6,625,571</b>	6,635,538
Investment funds	<b>720,906</b>	720,906
	<b>17,168,727</b>	17,776,010
	<b>25,767,033</b>	23,887,115
Less: Provision for impairment losses	<b>(994,351)</b>	(878,256)
	<b>24,772,682</b>	23,008,859
Analysed as:		
Listed outside Hong Kong	<b>8,566,462</b>	6,110,632
Unlisted outside Hong Kong	<b>16,206,220</b>	16,898,227
	<b>24,772,682</b>	23,008,859

## 18. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

### (a) Analysed by type and location of counterparty

	<u>2020</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>
In Mainland China		
— Banks	<u>2,654,900</u>	<u>2,610,800</u>

### (b) Analysed by collateral

	<u>2020</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Debt securities	<u>2,654,900</u>	<u>2,610,800</u>

## 19. DEBT SECURITIES ISSUED

	<u>2020</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Fixed rate subordinated debts/tier-two capital bonds issued	<u>2,396,807</u>	2,395,997
Interbank deposits	<u>5,107,719</u>	<u>11,824,060</u>
	<u>7,504,526</u>	<u>14,220,057</u>



## 20. DIVIDENDS

	<u>2020</u>	<u>2019</u>
	<u>RMB'000</u>	<u>RMB'000</u>
2019 final dividend (Note a)	<u>753,127</u>	<u>—</u>
2018 final dividend (Note b)	<u>—</u>	<u>717,264</u>

Notes:

- (a) Pursuant to the resolution of the shareholders meeting of 2019 on 18 June 2020, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on 4,184,037,577 shares held amounting to approximately RMB753,127,000 during the year ended 31 December 2020.
- (b) Pursuant to the resolution of the shareholders meeting of 2018 on 20 June 2019, the Bank distributed cash dividends of RMB0.18 per share (tax included) based on 3,984,797,692 shares held amounting to approximately RMB717,264,000 during the year ended 31 December 2019.

Subsequent to the end of the reporting period, a final dividend of RMB0.15 (tax inclusive) for each share in respect of the year ended 31 December 2020 has been proposed by the directors of the Bank and is subject to approval by the shareholders in the forthcoming general meeting on 18 June 2021.

## 21. SEGMENT REPORTING

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

### *Corporate banking*

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

### *Retail banking*

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

### *Treasury operations*

This segment covers the Group's treasury operations. The treasury operations enters into 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 the issuance of debts.

### *Others*

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

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

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

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. Segment income and expenses are determined before intra-group transactions are eliminated as part of the consolidation process. Segment capital expenditure is the total cost incurred during the reporting period to acquire property and equipment, land use rights and other long-term assets.

## Segment results, assets and liabilities

	Year ended 31 December 2020				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating income					
External net interest income/ (expense)	5,328,005	(1,135,293)	907,461	(1,743)	5,098,430
Internal net interest (expense)/ income	(1,216,953)	1,761,020	(544,067)	—	—
Net interest income	4,111,052	625,727	363,394	(1,743)	5,098,430
Net fee and commission income	187,257	16,256	27,037	—	230,550
Net trading gains	—	—	149,773	—	149,773
Dividend income	—	—	—	59,422	59,422
Net gains arising from investment securities	—	—	46,454	—	46,454
(Loss)/gains on disposals of an associate	—	—	—	(37,092)	(37,092)
Net exchange gains	—	—	—	10,241	10,241
Other operating income	—	—	—	(11,014)	(11,014)
Operating income	4,298,309	641,983	586,658	19,814	5,546,764
Operating expenses	(1,985,062)	(470,718)	(208,011)	(79,941)	(2,743,732)
Impairment losses on assets, net of reversals	(696,891)	(209,826)	(352,344)	(47,546)	(1,306,607)
Operating profit/(loss)	1,616,356	(38,561)	26,303	(107,673)	1,496,425
Share of profits of associates	—	—	—	44,590	44,590
Profit before tax	1,616,356	(38,561)	26,303	(63,083)	1,541,015
Segment assets	108,706,385	23,248,139	64,516,709	3,118,815	199,590,048
Deferred tax assets	—	—	—	773,222	773,222
Total assets	108,706,385	23,248,139	64,516,709	3,892,037	200,363,270
Segment liabilities	(47,758,367)	(107,342,342)	(28,699,141)	(312,225)	(184,112,075)
Dividend payable	—	—	—	(10)	(10)
Total liabilities	(47,758,367)	(107,342,342)	(28,699,141)	(312,235)	(184,112,085)
Other segment information					
— Depreciation and amortisation	455,948	86,246	42,068	9,827	594,089
— Capital expenditure	182,129	97,474	27,030	3,707	310,340

## Segment results, assets and liabilities (*Continued*)

	Year ended 31 December 2019				
	Corporate banking	Retail banking	Treasury operations	Others	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Operating income					
External net interest income/ (expense)	3,858,554	(707,906)	1,017,031	(2,252)	4,165,427
Internal net interest (expense)/ income	(493,349)	1,244,426	(751,077)	—	—
Net interest income	3,365,205	536,520	265,954	(2,252)	4,165,427
Net fee and commission income	26,528	29,766	260,172	—	316,466
Net trading gains	—	—	609,784	—	609,784
Dividend income	—	—	—	64,698	64,698
Net gains arising from investment securities	—	—	21,121	—	21,121
Gain on disposals of an associate	—	—	—	37,510	37,510
Net exchange gains	—	—	—	5,762	5,762
Other operating income	—	—	—	90,670	90,670
Operating income	3,391,733	566,286	1,157,031	196,388	5,311,438
Operating expenses	(1,859,067)	(517,522)	(296,800)	(114,059)	(2,787,448)
Impairment losses on assets, net of reversals	(427,342)	(175,202)	(468,441)	(17,095)	(1,088,080)
Operating profit/(loss)	1,105,324	(126,438)	391,790	65,234	1,435,910
Share of profits of associates	—	—	—	67,564	67,564
Profit before tax	<u>1,105,324</u>	<u>(126,438)</u>	<u>391,790</u>	<u>132,798</u>	<u>1,503,474</u>
Segment assets	77,328,456	22,397,043	69,320,207	3,668,342	172,714,048
Deferred tax assets	—	—	—	561,496	561,496
Total assets	<u>77,328,456</u>	<u>22,397,043</u>	<u>69,320,207</u>	<u>4,229,838</u>	<u>173,275,544</u>
Segment liabilities	(44,858,626)	(83,254,296)	(29,221,403)	(281,037)	(157,615,362)
Dividend payable	—	—	—	(6)	(6)
Total liabilities	<u>(44,858,626)</u>	<u>(83,254,296)</u>	<u>(29,221,403)</u>	<u>(281,043)</u>	<u>(157,615,368)</u>
Other segment information					
— Depreciation and amortisation	388,379	87,736	42,539	11,767	530,421
— Capital expenditure	<u>222,643</u>	<u>50,953</u>	<u>51,920</u>	<u>24,573</u>	<u>350,089</u>

## 22. COMMITMENTS

### (a) Credit commitments

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

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

	<u>2020</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Acceptances	1,524,543	1,703,108
Letters of guarantees	2,991,216	2,340,390
Letters of credit	13,137	12,169
Unused credit card commitments	161,309	158,583
	<u>4,690,205</u>	<u>4,214,250</u>

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

### (b) Capital commitments

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

	<u>2020</u>	<u>2019</u>
	<i>RMB'000</i>	<i>RMB'000</i>
Purchase of property and equipment		
— Contracted for but not provided	<u>1,447</u>	<u>25,090</u>

## 7. PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement has been published on the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.jtnsh.com](http://www.jtnsh.com)). The 2020 Annual Report of the Bank prepared in accordance with the IFRSs will be published on the HKEXnews website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Bank ([www.jtnsh.com](http://www.jtnsh.com)) and will be despatched to the holders of H shares of the Bank in due course.

By order of the Board  
**Jilin Jiutai Rural Commercial Bank Corporation Limited\***  
**Gao Bing**  
*Chairman*

Changchun, China  
March 30, 2021

*As at the date of this announcement, the Board of the Bank comprises Mr. Gao Bing, Mr. Liang Xiangmin and Mr. Yuan Chunyu as executive Directors; Mr. Cui Qiang, Mr. Wu Shujun, Mr. Zhang Xinyou, Mr. Wang Baocheng and Mr. Zhang Yusheng as non-executive Directors; and Dr. Fu Qiong, Mr. Jiang Ning, Ms. Zhang Qiuhua, Mr. Chung Wing Yin and Mr. Yang Jinguan as independent non-executive Directors.*

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