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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the H Shares. There are risks associated with any investment. Some of the particular risks in investing in the H Shares are set out in “Risk Factors”. You should read that section carefully before you decide to invest in the H Shares.

OVERVIEW

We are the fifth largest rural commercial bank¹ in China in terms of total assets as of December 31, 2020, according to the “Top 100 Banks in China of 2021” released by China Banking Association in 2021². According to the British journal “The Banker” published in July 2021, we ranked the 261st among commercial banks globally, the 44th among commercial banks in the PRC and the sixth among the rural commercial banks in the PRC in terms of tier-one capital as of December 31, 2020.

We are the leading commercial bank in Dongguan. Our Bank has ranked the first among banking institutions in Dongguan each year since 2005 in terms of year-end balance of deposits and loans, according to PBoC Dongguan Center Branch. As of March 31, 2021, RMB-denominated deposits and loans of our Bank accounted for approximately 18.78% and 18.63% of the balances of RMB-denominated deposits and loans of all the banking institutions in Dongguan as of the same date, respectively, according to the same source.

We provide tailor-made financial products and services through our extensive distribution network in Dongguan. According to CBIRC Dongguan Office, we have the largest number of outlets among commercial banks in Dongguan. As of the Latest Practicable Date, 501 out of the total 505 outlets of our Bank were located in Dongguan that cover all administrative districts. Such broad network coverage extends customer reach and deepens penetration into the local market. As of the Latest Practicable Date, we also had four branches outside Dongguan, located in Guangzhou, Zhuhai, Huizhou and Qingyuan in Guangdong Province, respectively. In addition, we have jointly-established four county banks with third parties, which are located in Dongguan, Huizhou and Yunfu in Guangdong Province and Hezhou in Guangxi Zhuang Autonomous Region. We also jointly-established two rural commercial banks with third parties in Zhanjiang and Shantou in Guangdong Province.

Our Bank was initially established in rural area and has been developing together with the industrialization of Dongguan. Sannong (三農), namely agriculture, rural areas and farmers customers are the core customers of our Bank and provide strong support for our development. We closely monitor the financial needs of modern Sannong customers, modern manufacturing “three chains” (namely, industrial chain, supply chain and value chain) customers, SMEs customers and other private enterprises. Strategically we focus on strengthening our five financial brands, namely, “Retail Finance” that provides all-round financial services to retail customers, “Industrial Finance” that emphasizes serving key industries in Dongguan, “SME Finance” that provides comprehensive financial services to SMEs, “Inter-bank Finance” that integrates cross-market services

¹ Rural commercial bank is a type of rural financial institutions which originated from rural credit cooperatives, pursuant to the Notice on Deepening the Pilot Program of Rural Credit Cooperatives Reform (《關於深化農村信用社改革試點方案的通告》) (Guo Fa [2003] No.15) issued by the State Council.

² Not including commercial banks of which annual reports or effective audited annual reports were not available at the issuance of the rankings in July 2021.

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and “Digital Finance” that aims to capture the digital trend to develop our online business, which we believe enable us to procure quality customers through a market-focused approach and by providing comprehensive financial services, and therefore enhance our overall competitiveness.

We are committed to business prudence and sustainable development. Supported by our comprehensive risk management system, we achieved considerable growth in asset size while maintaining our asset quality. Our total assets increased from approximately RMB407,904.7 million as of December 31, 2018 to RMB548,402.0 million as of December 31, 2020, representing a CAGR of 16.0%. As of March 31, 2021, our total assets has further increased to approximately RMB564,558.2 million. Our NPL ratio as of December 31, 2018, 2019 and 2020 was 1.27%, 1.00% and 0.82%, respectively, lower than the arithmetic mean of NPL ratios of PRC regional banks (including city commercial banks and rural commercial banks) that were listed in Hong Kong as of the date of this prospectus, which was 1.86%, 2.04% and 1.90% as of the same dates, respectively, based on data extracted from the published annual reports of such PRC regional banks. Our NPL ratio further decreased to 0.79% as of March 31, 2021.

In addition, we maintained strong profitability and operational efficiency during the Track Record Period. Our operating income increased from approximately RMB9,777.6 million for the year ended December 31, 2018 to RMB12,047.0 million for the year ended December 31, 2020, representing a CAGR of 11.0%. For the three months ended March 31, 2020 and 2021, our operating income amounted to approximately RMB3,173.1 million and RMB3,156.0 million respectively. Our net interest margin increased from approximately 2.05% for the year ended December 31, 2018 to approximately 2.16% for the year ended December 31, 2020, and our net interest spread increased from approximately 1.98% for the year ended December 31, 2018 to approximately 2.10% for the year ended December 31, 2020. For the three months ended March 31, 2021, our net interest margin and net interest spread was approximately 1.98% and 1.91%, respectively. For the year ended December 31, 2020, our return on average assets was 1.00% and return on average equity was 13.64%, higher than the arithmetic mean of the returns on average assets and returns on average equity of PRC regional banks (including city commercial banks and rural commercial banks) that were listed in Hong Kong as of the date of this prospectus, which was approximately 0.52% and 6.91% for the same year, respectively, based on data extracted from the published annual reports of such PRC regional banks. For the three months ended March 31, 2021, our return on average assets was approximately 1.26% and return on average equity was 16.71%. Our Bank was among the first group of rural credit cooperative association unions approved by PBoC to participate in the inter-bank financing market of China. According to CCICR, our corporate credit rating has remained at AAA since October 2017, the highest credit rating of corporates in China.

OUR COMPETITIVE STRENGTHS

We have the following competitive strengths:

- The fifth largest rural commercial bank in China with distinctive geographic advantage in the Greater Bay Area
- A solid foundation for growth provided by the prospering local modern Sannong (三農) businesses
- Comprehensive retail banking services and steadily growing retail banking business
- A new model of industrial finance business that covers upstream and downstream industry chain

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- A new model of SME finance business that increases market share in emerging financial market
- Widely adopting intelligent information technologies and implementation of advanced operation system for efficiency improvement
- Comprehensive risk management system and high-quality credit assets
- Long-term steady shareholder support and cohesive modern financial enterprise culture

For details on our competitive strengths, please see “Business — Our Competitive Strengths”.

OUR BUSINESS STRATEGIES

Our strategic objective is to develop into a regional modern rural commercial banking group.

- Capitalize on modern Sannong business development to grow the market share of our rural financial business
- Build a leading core business system and continuously improve competitiveness
- Develop a new “1+3+N” grid management system and upgrade customer management system
- Accelerate financial technology application and introduce new initiatives for reform and development
- Improve our comprehensive risk management system to ensure effective management and control of risks
- Improve human resources management and create modern financial enterprise culture

For details on our business strategies, please see “Business — Our Business Strategies”.

RISK FACTORS

Investing in our Shares involves certain risks and uncertainties, including but not limited to the followings:

- We generated a substantial portion of our revenue in Dongguan, where our business and operations are primarily concentrated. As such, we face uncertainties associated with national and local government policies and measures which are adopted to promote local economic development.
- Our financial condition and results of operations depend significantly on our ability to continue to maintain and improve the quality of our loan portfolio. In addition, our allowance for expected credit losses on loans may not be sufficient to cover the actual losses on our loan portfolio in the future. Significant deterioration of our loan portfolio quality and increases in our allowance for expected credit losses on loans could have a material adverse effect on our financial position and results of operations.
- We mainly rely on customer deposits to fund our business, and the decrease of such deposits may reduce our funding sources and our ability to extend new loans and meet the required liquidity.
- We face concentration risks from our credit exposure to certain industries and borrowers, and our investments in rights to earnings on credit assets and fund investments.
- The recent outbreak of the contagious COVID-19 in the PRC and worldwide may have an adverse effect on our business, financial condition and results of operations.

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- We are exposed to risks arising from loans granted to SMEs.
- We are exposed to risks associated with any significant or protracted downturn in, or change in government policies adversely affecting, the real estate market in the PRC.
- A portion of our loans and advances to customers are not secured by collateral or guarantee, and the collateral or guarantees of other loans may not be sufficient or fully realizable.
- Natural disasters, epidemics, acts of war or terrorism or other factors beyond our control may have a material adverse effect on our business operations, financial condition and results of operations.

For details on our risk factors, please see “Risk Factors”.

SUMMARY HISTORICAL FINANCIAL INFORMATION

You should read the summary historical financial information set forth below in conjunction with our historical financial information included in the Accountant’s Report set out in Appendix I, which has been prepared in accordance with the IFRS and the sections “Assets and Liabilities” and “Financial Information”. The statements of profit or loss and other comprehensive income for the years ended December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, and the statement of financial position as of December 31, 2018, 2019 and 2020 and March 31, 2021 set out below are extracted from the Accountant’s Report set out in Appendix I.

The classification of financial assets under IFRS 9 requires us to consider the business model and the contractual cash flow characteristics of financial assets to determine classification and subsequent measurement. Further, for financial assets that will be classified as “amortized cost” or “fair value through other comprehensive income” under IFRS 9, we are required to apply an expected credit loss impairment model under IFRS 9, which uses more forward-looking information instead of an objective evidence of impairment as a precondition for recognizing credit losses. Such estimate of expected credit losses is subjective in nature, as it is based on many factors beyond our control and is therefore subject to inherent limitations and uncertainties. Please see the Accountant’s Report in Appendix I and the section headed “Financial Information — Critical Accounting Estimates and Judgment”.

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SUMMARY HISTORICAL INCOME STATEMENT DATA

The following table sets forth our statements of profit or loss and other comprehensive income as of the periods indicated.

	For the years ended December 31,			For the three months ended March 31,	
	2018 ⁽¹⁾	2019 ⁽¹⁾	2020 ⁽¹⁾	2020 ⁽¹⁾	2021 ⁽¹⁾
	<i>(in millions of RMB, except otherwise indicated)</i>				
Interest income	16,114.7	17,353.1	19,517.6	4,757.6	5,304.3
Interest expense	(8,794.3)	(8,551.9)	(9,585.2)	(2,230.4)	(2,724.0)
Net interest income	7,320.4	8,801.2	9,932.4	2,527.2	2,580.3
Fee and commission income	1,052.7	1,184.1	995.1	207.1	226.1
Fee and commission expense	(101.1)	(129.3)	(54.7)	(14.8)	(32.7)
Net fee and commission income	951.6	1,054.8	940.4	192.3	193.4
Net trading gains	1,223.0	1,133.3	881.3	361.3	308.2
Net gains on financial investments	82.0	462.9	181.9	57.6	57.5
Other operating income ⁽¹⁾	200.6	343.0	111.0	34.7	16.6
Operating income	9,777.6	11,795.2	12,047.0	3,173.1	3,156.0
Operating expense	(3,049.3)	(3,535.8)	(3,924.9)	(1,008.3)	(899.0)
Expected credit losses and asset losses	(1,717.1)	(2,593.5)	(2,774.3)	(437.2)	(272.6)
Operating profit	5,011.2	5,665.9	5,347.8	1,727.6	1,984.4
Share of profit of investments accounted by equity method	23.0	34.9	24.3	6.3	15.7
Profit before tax	5,034.2	5,700.8	5,372.1	1,733.9	2,000.1
Income tax expense	(580.9)	(830.6)	(316.8)	(206.4)	(240.9)
Net profit	4,453.3	4,870.2	5,055.3	1,527.5	1,759.2
Net profit attributable to our shareholders	4,482.4	4,935.9	4,856.9	1,500.9	1,711.8
Net profit attributable to non-controlling interests	(29.1)	(65.7)	198.4	26.6	47.4

Notes:

(1) Consisted primarily of gains from disposal of fixed assets, rental income, government grants and others.

Our net interest income increased by approximately 2.1% from RMB2,527.2 million for the three months ended March 31, 2020 to RMB2,580.3 million for the three months ended March 31, 2021, primarily attributable to an 11.5% increase in interest income, which was in turn due to a 20.7% increase in the average balance of our interest-earning assets resulting from a 26.2% increase in the average size of our loans and advances to customers. The relatively moderate increase of approximately 2.1% in net interest income for the three months ended March 31, 2021 as compared to the same period in 2020 was attributable to various factors, including (i) the decrease in profit margin from interest-earning assets due to the ongoing reform of LPR mechanism, for more details, please see “Risk Factors—Risks Relating to the PRC Banking Industry—Further liberalization of interest rates, PBoC’s adjustments to the benchmark interest rates, the ongoing reform of the LPR mechanism, the deposit insurance program and other regulatory changes in the PRC banking industry may materially and adversely affect our financial condition and results of operations”; (ii) the relatively low interest rates on loans to certain qualified corporate borrowers in response to the relevant government policies that encourage support for qualified corporations that were negatively affected by the COVID-19 pandemic; and (iii) the increase in deposit interests we paid in response to intensified competition for deposit in the market. Our net interest income increased by approximately 12.9% from RMB8,801.2 million for the year ended December 31, 2019 to RMB9,932.4 million for the year ended December 31, 2020, primarily due to a 12.5% increase in our interest income, which was in turn driven by a 14.2% increase in the average balance of our interest-earning assets primarily resulted from a 23.6% increase in the average size of loans and advances to customers. Our net

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interest income increased by approximately 20.2% from RMB7,320.4 million for the year ended December 31, 2018 to RMB8,801.2 million for the year ended December 31, 2019, primarily due to a 7.7% increase in our interest income and a 2.8% decrease in our interest expense which was mainly due to the decrease in market interest rates that led to the decrease in the average yield on the financial assets sold under repurchase agreements, deposits and placements from banks and other financial institutions.

Our net fee and commission income slightly increased by approximately 0.6% from RMB192.3 million for the three months ended March 31, 2020 to RMB193.4 million for the three months ended March 31, 2021, primarily attributable to the increase of income from custodian and wealth management agency services, partially offset by the decrease of income from bank card services. Our net fee and commission income decreased by approximately 10.8% from RMB1,054.8 million for the year ended December 31, 2019 to RMB940.4 million for the year ended December 31, 2020, primarily due to the decrease in revenue from bank card service and wealth management agency service, which was in turn due to the downward adjustment of bank card service fees in response to the market competition and to support rural vitalization, and slower growth in the scale of wealth management business during the transitional period of net value after the implementation of the 2018 Guiding Opinion on Asset Management. Our net fee and commission income increased by approximately 10.8% from RMB951.6 million for the year ended December 31, 2018 to RMB1,054.8 million for the year ended December 31, 2019. The increase was mainly due to a 47.4% increase of income from wealth management agency service from approximately RMB311.6 million for the year ended December 31, 2018 to RMB459.3 million for the year ended December 31, 2019 resulted from improved interest rate spreads.

Our operating income slightly decreased by approximately 0.5% from RMB3,173.1 million for the three months ended March 31, 2020 to RMB3,156.0 million for the three months ended March 31, 2021, primarily attributable to a 22.1% increase of interest expense resulting from the continued interest rate liberalization in the PRC, the increase in medium-term lending facilities and the intensification of price competition in the PRC banking industry, which was partially offset by an 11.5% increase of interest income due to increase in our interest-earning assets. Our operating income increased by approximately 2.1% from RMB11,795.2 million for the year ended December 31, 2019 to RMB12,047.0 million for the year ended December 31, 2020. Our operating income increased by approximately 20.6% from RMB9,777.6 million for the year ended December 31, 2018 to RMB11,795.2 million for the year ended December 31, 2019. In addition to the impact from changes in our net interest income and net fee and commission income, our operating income was also affected by changes in our net gains on financial investment, which (i) increased for the year ended December 31, 2019 mainly due to a significant increase in operating income from our treasury business as a result of the downward adjustment of market rates in general; and (ii) increased significantly for the year ended December 31, 2020, which partially offset by the decrease in changes in the fair value of debt securities and fund investments we invested as a result of increased interest rates of debt securities market.

Our expected credit losses and asset losses decreased by approximately 37.6% from RMB437.2 million for the three months ended March 31, 2020 to RMB272.6 million for the three months ended March 31, 2021, primarily due to a decrease of RMB169.9 million in allowance for expected credit losses resulted from the decrease in the amount and proportion of our non-normal loans for the first three months of 2021. Our expected credit losses and asset losses increased by approximately 7.0% from RMB2,593.5 million for the year ended December 31, 2019 to RMB2,774.3 million for the year ended December 31, 2020, mainly due to an asset loss on the investment in 2020. An asset loss of RMB2,298.2 million was recognized based on the fair value assessment of certain underlying rights to earning assets of Chaoyang RCCU we acquired from an independent

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party through public tender. For more details, please see “Financial Information — Results of Operations for the Three Months Ended March 31, 2020 and 2021 — Expected Credit Losses and Asset Losses” and “Financial Information — Results of Operations for the Years Ended December 31, 2019 and 2020 — Expected Credit Losses and Asset Losses”. Our expected credit losses and asset losses increased by approximately 51.0% from RMB1,717.1 million for the year ended December 31, 2018 to RMB2,593.5 million for the year ended December 31, 2019, primarily due to the increase in allowance for expected credit losses to enhance our risk resistibility in response to the increase in loans and advances to customers and the increase in credit risk in debt securities market.

Our expected credit losses and asset losses rate (the “**ECL rate**”) is calculated under the expected credit losses impairment model by dividing expected credit loss allowance by the balance of related assets. The ECL rate for our loans and advances to customers measured at amortized cost decreased from approximately 4.96% for the year ended December 31, 2018 to 3.87% for the year ended December 31, 2019, primarily due to the fact that our personal loans to retail banking customers, which has a relatively lower ECL rate, increased from approximately RMB49,541.7 million to RMB80,048.3 million as of December 31, 2018 and 2019, respectively, and further decreased to approximately 3.13% for the year ended December 31, 2020 because corporate loans, which has a relatively higher ECL rate, maintained relatively stable as of December 31, 2019 and 2020, respectively, while our NPL ratio decreased from approximately 1.52% to 0.94% as of the same dates. The ECL rate for our loans and advances to customers measured at amortized cost decreased from approximately 3.13% for the year ended December 31, 2020 to 3.07% for the three months ended March 31, 2021, primarily due to the increase in newly extended loans and advances to customers that classified as normal with relatively lower ECL rate. In addition, our ECL rate for financial investment measured at amortized cost decreased from approximately 0.17% for the year ended December 31, 2018 to 0.14% for the year ended December 31, 2019, and further decreased to approximately 0.11% for the year ended December 31, 2020, primarily due to the decrease of financial investment in corporate bonds and non-standard assets that have relatively higher credit risk and ECL rate, which was resulted from our prudent investment policy adopted during the Track Record Period. The ECL rate for financial investment measured at amortized cost remained stable at approximately 0.11% and 0.10% for the year ended December 31, 2020 and the three months ended March 31, 2021, respectively.

For further discussion on the fluctuations in our statements of profit or loss and other comprehensive income, please see “Financial Information — Results of Operations for the Years Ended December 31, 2018 and 2019”, “Financial Information — Results of Operations for the Years Ended December 31, 2019 and 2020” and “Financial Information — Results of Operations for the Three Months Ended March 31, 2020 and 2021”.

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Our principal lines of businesses include corporate banking, retail banking and treasury business. For details on our principal businesses, please see “Business — Our Principal Businesses”. The following table sets forth our key operating results by segments for the periods indicated.

	For the years ended December 31,						For the three months ended March 31,																		
	2018			2019			2020			2021															
	Corporate banking	Retail banking	Treasury business Others ⁽¹⁾	Total	Corporate banking	Retail banking	Treasury business Others ⁽¹⁾	Total	Corporate banking	Retail banking	Treasury business Others ⁽¹⁾	Total													
Net interest income	3,893.3	3,215.5	211.6	—	7,320.4	4,530.3	3,607.1	663.8	—	8,801.2	5,281.0	4,475.6	175.8	—	9,932.4	1,332.1	1,122.6	72.5	—	2,527.2	1,493.9	1,122.6	(36.2)	—	2,580.3
Net fee and commission income	101.4	794.6	37.4	18.2	951.6	65.3	910.5	69.9	9.1	1,054.8	138.4	764.9	22.0	15.1	940.4	28.9	151.1	11.1	1.2	192.3	31.9	147.6	3.7	10.2	193.4
Operating income	4,046.2	4,012.8	1,467.7	250.9	9,777.6	4,671.8	4,523.9	2,204.7	394.8	11,795.2	5,501.0	5,286.1	1,385.8	(125.9)	12,047.0	1,380.0	1,281.4	475.8	35.9	3,173.1	1,560.0	1,287.2	291.4	17.4	3,156.0
Operating expenses	(792.9)	(1,635.0)	(384.3)	(237.1)	(3,049.3)	(956.2)	(1,935.8)	(518.5)	(125.3)	(3,535.8)	(1,263.5)	(2,215.8)	(392.9)	(52.7)	(3,924.9)	(363.4)	(549.3)	(81.2)	(14.4)	(1,008.3)	(363.3)	(421.0)	(95.2)	(19.5)	(899.0)
Profit before tax	2,180.0	2,350.9	466.5	36.8	5,034.2	3,260.2	2,253.2	(117.0)	304.4	5,700.8	4,041.8	2,941.7	841.2	(2,452.6)	5,372.1	827.1	635.1	243.9	27.8	1,733.9	1,170.4	765.8	50.3	13.6	2,000.1

Note:

(1) Mainly consisted of income and expenses that was not directly attributable to any specific segment.

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Operating income from our treasury business decreased by approximately 38.8% from RMB475.8 million for the three months ended March 31, 2020 to RMB291.4 million for the three months ended March 31, 2021, primarily due to the decrease in net interest income resulted from the increase in interest expenses. Operating income from our treasury business decreased by approximately 37.1% from RMB2,204.7 million for the year ended December 31, 2019 to RMB1,385.8 million for the year ended December 31, 2020, primarily due to (i) the decrease of the average balance of rediscounted bills, resulting in the decrease in the interest income from rediscounted bills; and (ii) the decrease in investment in credit securities to control credit risk effectively, resulting in the decrease in interest income from credit securities. Operating income from our treasury business increased by approximately 50.2% from RMB1,467.7 million for the year ended December 31, 2018 to RMB2,204.7 million for the year ended December 31, 2019, primarily due to the decrease in the cost of interbank liabilities, which was in turn a result of the decrease in the prevailing market interest rate. Profit before tax of our treasury business turned around from loss before tax in 2019 to profit before tax in 2020 was mainly due to the significant decrease of expected credit losses and asset losses of our treasury business from approximately RMB1,803.2 million in 2019 to RMB151.8 million in 2020, which was in turn resulted from our effective control of credit risk to decrease investment in credit securities with relatively high credit risk. Loss before tax in “Others” for the year ended December 31, 2020 was in relation to the recognition of an asset losses of approximately RMB2,298.2 million based on the fair value of the assets attributable to us in relation to certain underlying rights to earning assets of Chaoyang RCCU we acquired from an independent party through public tender.

SUMMARY HISTORICAL STATEMENT OF FINANCIAL POSITION DATA

The following table sets forth the selected data of our statement of financial position as of the dates indicated.

	As of December 31,			As of March 31,
	2018	2019	2020	2021
	<i>(in millions of RMB)</i>			
ASSETS				
Cash and balances with central banks	40,296.9	39,557.2	38,576.5	36,955.9
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	15,033.6	21,299.7	18,707.4	19,338.9
Loans and advances to customers ⁽¹⁾	157,445.7	198,970.6	254,641.8	268,689.9
Financial investments	188,997.4	195,475.3	227,713.1	231,006.6
—Financial assets at fair value through profit or loss	34,974.7	30,254.8	36,101.6	37,097.2
—Financial investments at amortized cost	67,979.6	86,869.6	111,667.9	109,770.4
—Financial investments at fair value through other comprehensive income	86,043.1	78,350.9	79,943.6	84,139.0
Investment in associates	267.7	430.6	433.0	448.7
Property and equipment	1,396.1	1,577.6	2,432.8	2,466.7
Right-of-use assets	629.9	613.6	612.2	595.2
Goodwill	—	181.4	520.5	520.5
Deferred tax assets	1,683.8	2,018.1	3,054.2	3,089.1
Other assets ⁽²⁾	2,153.6	1,084.7	1,710.5	1,446.7
Total assets	407,904.7	461,208.8	548,402.0	564,558.2
LIABILITIES				
Borrowings from central banks	644.5	2,601.2	30,653.4	29,870.6
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	53,204.4	46,373.2	43,482.2	45,590.8
Financial liabilities at fair value through profit or loss	24.5	132.4	238.8	230.2
Deposits from customers	265,004.9	314,217.0	377,548.9	389,641.3
Debt securities issued	55,676.7	58,271.7	50,249.2	54,780.9
Taxes payable	536.4	913.8	822.7	1,060.8
Lease liabilities	500.0	456.4	450.9	433.1
Other liabilities	2,478.7	2,771.3	6,313.0	2,633.7
Total liabilities	378,070.1	425,737.0	509,759.1	524,241.4
EQUITY				
Share capital	5,740.5	5,740.5	5,740.5	5,740.5
Revaluation reserve	573.2	1,229.5	196.3	100.0
Surplus reserve	6,204.0	6,705.0	7,177.6	7,177.6

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	As of December 31,			As of March 31,
	2018	2019	2020	2021
	<i>(in millions of RMB)</i>			
General reserve	5,017.8	5,284.1	5,767.7	5,767.7
Retained earnings	12,053.1	14,855.3	17,263.6	18,975.5
Total equity attributable to our shareholders	29,588.6	33,814.4	36,145.7	37,761.3
Non-controlling interests	246.0	1,657.4	2,497.2	2,555.6
Total equity	29,834.6	35,471.8	38,642.9	40,316.9
Total liabilities and equity	407,904.7	461,208.8	548,402.0	564,558.2

Notes:

- (1) For ease of reference, in this prospectus, unless otherwise indicated, we use the terms “loans and advances to customers”, “loans to customers” and “loans” synonymously.
- (2) Consisted primarily of prepayment for equity investment, long-term deferred expenses, and research and development expenditures.

Distribution of Operating Income by Principal Business Lines

The following table sets forth a breakdown of the principal business lines and their operating income contributions during the Track Record Period.

	For the years ended December 31,						For the three months ended March 31,			
	2018		2019		2020		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>									
Corporate banking business	4,046.2	41.4%	4,671.8	39.6%	5,501.0	45.7%	1,380.0	43.5%	1,560.0	49.4%
Retail banking business	4,012.8	41.0%	4,523.9	38.4%	5,286.1	43.9%	1,281.4	40.4%	1,287.2	40.8%
Treasury business	1,467.7	15.0%	2,204.7	18.7%	1,385.8	11.5%	475.8	15.0%	291.4	9.2%
Others ⁽¹⁾	250.9	2.6%	394.8	3.3%	(125.9)	(1.1)%	35.9	1.1%	17.4	0.6%
Total	9,777.6	100.0%	11,795.2	100.0%	12,047.0	100.0%	3173.1	100.0%	3,156.0	100.0%

Note:

- (1) Consisted of income and expenses that are not directly attributable to any specific segment.

Distribution of Loans and Advances to Customers by Business Line

Our loans to customers consisted of corporate loans, personal loans and discounted bills. The following table sets forth our gross loans to customers by business line as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>							
Corporate loans	95,480.1	58.1%	107,682.3	52.3%	136,673.6	52.3%	144,660.6	52.5%
Personal loans	49,541.7	30.1%	80,048.3	38.9%	98,015.9	37.5%	105,073.8	38.1%
Discounted bills	19,331.0	11.8%	18,096.2	8.8%	26,761.1	10.2%	26,016.2	9.4%
Total loans and advances to customers	164,352.8	100.0%	205,826.8	100.0%	261,450.6	100.0%	275,750.6	100.0%

SUMMARY

Distribution of Corporate Loans by Industry

Our corporate loans consisted of loans to corporate customers in a broad range of industries. The following table sets forth the distribution of our corporate loans by industry classification¹ as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>							
Manufacturing	14,325.9	15.0%	16,944.4	15.7%	27,173.6	19.8%	28,240.8	19.5%
Leasing and commercial services	19,595.6	20.5%	22,636.2	21.0%	24,737.3	18.1%	27,557.7	19.0%
Wholesale and retail	20,452.8	21.4%	23,342.2	21.7%	24,274.5	17.8%	26,192.4	18.1%
Construction	16,908.8	17.7%	17,791.3	16.5%	20,860.8	15.3%	22,276.2	15.4%
Real estate	8,407.7	8.8%	9,259.1	8.6%	10,804.3	7.9%	12,667.6	8.8%
Production and supply of power, gas and water	4,878.8	5.1%	4,501.8	4.2%	5,322.4	3.9%	5,915.7	4.1%
Transportation, logistics and postal services	2,075.8	2.2%	3,449.0	3.2%	3,947.1	2.9%	3,853.5	2.7%
Health, social security and welfare	1,465.9	1.5%	2,008.7	1.9%	2,539.0	1.9%	2,537.0	1.8%
Education	994.1	1.0%	1,715.8	1.6%	2,212.0	1.6%	2,255.9	1.6%
Water, environment and public utilities management	2,070.3	2.2%	1,804.0	1.7%	2,101.5	1.5%	2,331.0	1.6%
Hotels and catering industries	920.7	1.0%	1,138.4	1.1%	1,382.0	1.0%	1,355.2	0.9%
Information transmission, software and IT services	924.7	1.0%	757.9	0.7%	823.0	0.6%	1,087.4	0.8%
Finance	—	—	—	—	7,514.0	5.5%	5,603.5	3.9%
Others ⁽¹⁾	2,459.0	2.6%	2,333.5	2.1%	2,982.1	2.2%	2,786.7	1.8%
Total corporate loans	95,480.1	100.0%	107,682.3	100.0%	136,673.6	100.0%	144,660.6	100.0%

Note:

(1) Consisted primarily of (i) agriculture, forestry, animal husbandry and fishery, (ii) resident services and other services, (iii) culture, sports and entertainment, (iv) scientific research and technical services, and geological prospecting, (v) mining, and (vi) public management and social organization.

¹ The industry classifications are in accordance with the National Economic Industry Classification system of the National Bureau of Statistics.

SUMMARY

Distribution of Corporate Loans by Size of Corporate Borrowers

The following table sets forth distribution of our corporate loans by size of borrowers as of the dates indicated.

	As of December 31,						As of March 31,					
	2018			2019			2020			2021		
	Amount	% of total	NPL ratio	Amount	% of total	NPL ratio	Amount	% of total	NPL ratio	Amount	% of total	NPL ratio
	<i>(in millions of RMB, except percentages)</i>											
SMEs ⁽¹⁾	62,969.9	65.9%	2.35%	68,097.9	63.3%	1.75%	82,515.2	60.4%	1.10%	89,767.9	62.0%	1.08%
Medium enterprises ⁽¹⁾	23,281.4	24.4%	1.24%	28,277.8	26.3%	1.36%	37,349.4	27.3%	1.00%	37,696.0	26.1%	0.84%
Large enterprises ⁽¹⁾	8,392.2	8.8%	0.18%	10,605.0	9.8%	0.14%	16,156.6	11.8%	0.00%	16,597.3	11.5%	0.00%
Others ⁽²⁾	836.6	0.9%	0.00%	701.6	0.6%	0.00%	652.4	0.5%	0.00%	599.4	0.4%	0.20%
Total corporate loans	95,480.1	100.0%	1.87%	107,682.3	100.0%	1.52%	136,673.6	100.0%	0.94%	144,660.6	100.0%	0.89%

Notes:

- (1) The classification criteria for large enterprises, medium enterprises, SMEs are set out by the 2017 Measures for Classification.
- (2) Consisted primarily of public institutions, such as hospitals and schools.

Distribution of Personal Loans by Product Type

The table below sets forth the distribution of our personal loans by product type as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>							
Residential mortgage loans	23,568.3	47.6%	32,441.2	40.5%	37,665.4	38.4%	39,788.3	37.9%
Personal consumption loans	5,336.2	10.8%	19,089.8	23.9%	26,517.0	27.1%	30,080.3	28.6%
Personal business loans	9,766.5	19.7%	18,001.0	22.5%	25,609.6	26.1%	27,604.0	26.3%
Credit card balances	10,870.7	21.9%	10,516.3	13.1%	8,223.9	8.4%	7,601.2	7.2%
Total personal loans	49,541.7	100.0%	80,048.3	100.0%	98,015.9	100.0%	105,073.8	100.0%

SUMMARY

Distribution of Financial Assets by Product Type

Our financial assets consisted primarily of debt securities, rights to earnings on credit assets, fund investments, wealth management instruments for direct financing and certain other types of financial assets. The following table sets forth the components of our financial assets as of the dates indicated.

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>	<u>Amount</u>	<u>% of total</u>
	<i>(in millions of RMB, except percentages)</i>							
Debt securities	167,140.6	89.8%	173,654.7	90.1%	198,595.1	88.4%	200,165.7	87.9%
Rights to earnings on								
credit assets	11,566.8	6.2%	7,694.2	4.0%	4,783.7	2.1%	4,362.2	1.9%
Fund investment	6,423.5	3.4%	10,215.3	5.3%	20,496.9	9.1%	22,358.5	9.8%
Wealth management								
instruments for direct								
financing	625.2	0.3%	603.9	0.3%	222.0	0.1%	223.4	0.1%
Others	30.0	0.0%	29.3	0.0%	27.3	0.0%	27.9	0.0%
Subtotal	185,786.1	99.7%	192,197.4	99.7%	224,125.0	99.7%	227,137.7	99.7%
Accrued interest	2,713.5		2,840.7		3,142.4		3,405.3	
Unlisted equity								
rights	612.0	0.3%	563.2	0.3%	566.7	0.3%	575.2	0.3%
Total financial assets,								
gross	189,111.6	100.0%	195,601.3	100.0%	227,834.1	100.0%	231,118.2	100.0%
Less: Allowance for								
expected credit								
losses	(114.2)		(126.0)		(121.0)		(111.6)	
Total financial assets,								
net	<u>188,997.4</u>		<u>195,475.3</u>		<u>227,713.1</u>		<u>231,006.6</u>	

Debt securities was the largest component of our financial assets, representing approximately 89.8%, 90.1%, 88.4% and 87.9% of our total gross financial assets as of December 31, 2018, 2019 and 2020 and for the three months ended March 31, 2021, respectively. We invest in debt securities issued by the central and local governments, financial institutions and corporate issuers in the PRC, and interbank certificates of deposits. For details, please see “Business — Treasury Business — Major Products and Services — Debt Securities Investments”.

SUMMARY

Distribution of Loans by Types of Collateral

The following table sets forth the distribution of our loans to customers by type of collateral as of the dates indicated.

	As of December 31,						As of March 31,					
	2018		2019		2020		2021		2021		2021	
	Amount	Loan-to- % of total value ratio	Amount	Loan-to- % of total value ratio	Amount	Loan-to- % of total value ratio	Amount	Loan-to- % of total value ratio	Amount	Loan-to- % of total value ratio	Amount	Loan-to- % of total value ratio
	<i>(RMB in millions, except for percentages)</i>											
Pledged loans ⁽¹⁾⁽²⁾	30,769.2	18.7%	60.9%	28,847.7	14.0%	59.8%	39,107.9	15.0%	64.7%	39,371.2	14.3%	66.1%
Collateralized loans ⁽¹⁾⁽³⁾	88,589.1	53.9%	54.0%	113,050.8	54.9%	51.3%	134,641.7	51.5%	52.8%	144,891.5	52.5%	52.4%
Guaranteed loans	31,566.8	19.2%	N/A	35,717.2	17.4%	N/A	54,441.7	20.8%	N/A	57,357.0	20.8%	N/A
Unsecured loans	13,427.7	8.2%	N/A	28,211.1	13.7%	N/A	33,259.3	12.7%	N/A	34,130.9	12.4%	N/A
Total	164,352.8	100.0%		205,826.8	100.0%		261,450.6	100.0%		275,750.6	100.0%	

Notes:

- (1) Represented the total amount of loans wholly or partially secured by collateral in each category. If a loan is secured by more than one form of security interest, the classification is based on the primary form of security interest.
- (2) Represented security interest in intangible assets or monetary assets, such as movable assets, certificates of deposit, financial instruments, intellectual properties and interests in future cash flows, by taking possession of, or registering against, such assets.
- (3) Represented security interests in tangible assets other than monetary assets, such as buildings and fixtures, land use rights, machines, equipment and vehicles, without taking possession.

Loan Products by Remaining Maturity

The following table sets forth our loan products by remaining maturity as of the date indicated.

	As of March 31, 2021					
	Due 3 months or less	Due over 3 months up to 12 months	Due between 1 to 5 years	Due more than 5 years	Overdue ⁽¹⁾	Total
	<i>(in millions of RMB)</i>					
Corporate loans						
Working capital loans	11,572.3	31,696.6	17,015.2	2,053.3	1,120.9	63,458.3
Fixed asset loans	1,131.2	4,000.3	32,500.3	37,810.5	478.4	75,920.7
Others ⁽²⁾	845.9	2,989.1	70.8	1,367.2	8.6	5,281.6
Subtotal	13,549.4	38,686.0	49,586.3	41,231.0	1,607.9	144,660.6
Personal loans						
Personal business loans	1,765.8	7,164.7	12,060.9	6,082.0	530.6	27,604.0
Property mortgages	2.6	18.8	845.8	38,645.7	275.4	39,788.3
Credit card balance ⁽³⁾	2,624.0	548.6	2,856.7	1,414.2	157.7	7,601.2
Personal consumption loans	1,112.1	6,786.5	15,103.3	6,673.3	405.1	30,080.3
Subtotal	5,504.5	14,518.6	30,866.7	52,815.2	1,368.8	105,073.8
Discounted bills						
Bank acceptance bill	11,461.6	14,554.6	—	—	—	26,016.2
Subtotal	11,461.6	14,554.6	—	—	—	26,016.2
Total	30,515.5	67,759.2	80,453.0	94,046.2	2,976.7	275,750.6

Notes:

- (1) Included loans on which principal and interests are overdue. For loans that were repayable in installments, if any portion of the loan was overdue, the total amount of that loan was classified as overdue.
- (2) Consisted primarily of mortgage loans on operational occupancy and mechanical equipment.
- (3) Included credit card loans that were repayable in installments. The maturity profile is the carrying amount as set forth by remaining contractual maturities as of March 31, 2021.

As of March 31, 2021, our corporate loans with remaining maturities of up to one year amounted to approximately RMB52,235.4 million, representing approximately 36.1% of our total corporate loans, consisting

SUMMARY

primarily of working capital loans with remaining maturities of three to 12 months. Our corporate loans with remaining maturities of more than one year amounted to approximately RMB90,817.3 million as of the same date, representing approximately 62.8% of our total corporate loans, consisting primarily of fixed asset loans with remaining maturities of more than one year. Our personal loans with remaining maturity of up to five years amounted to approximately RMB50,889.8 million as of March 31, 2021, representing approximately 48.4% of our total personal loans, consisting mainly of personal business loans and personal consumption loans with remaining maturities between one to five years while those of our personal loans with remaining maturity of more than five years amounted to approximately RMB52,815.2 million as of the same date, representing approximately 50.3% of our total personal loans, consisting primarily of residential mortgage loans.

Distribution of Corporate Loans by Product Type

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

	As of December 31,						As of March 31,	
	2018		2019		2020		2021	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	<i>(in millions of RMB, except percentages)</i>							
Working capital loans	42,826.5	44.9%	46,655.2	43.2%	63,073.1	46.1%	63,458.3	43.9%
Fixed asset loans	51,281.5	53.7%	58,805.2	54.6%	69,532.5	50.9%	75,920.7	52.5%
Others ⁽¹⁾	1,372.1	1.4%	2,221.9	2.2%	4,068.0	3.0%	5,281.6	3.6%
Total	95,480.1	100.0%	107,682.3	100.0%	136,673.6	100.0%	144,660.6	100.0%

Note:

(1) Consisted primarily of mortgage loans on business premises and mechanical equipment.

CASH FLOW

The following table sets forth our cash flows for the periods indicated. For details, please see “Appendix I — Accountant’s Report — I. Historical Financial Information of the Group — Consolidated Cash Flow Statements”.

	For the years ended			For the three months	
	December 31,			ended March 31,	
	2018	2019	2020	2020	2021
	<i>(in millions of RMB)</i>				
Net cash generated/(used) from operating activities	6,224.7	(6,997.6)	20,314.3	(17,981.4)	(2,300.9)
— operating profit before changes in working capital	1,119.1	2,346.2	3,151.2	828.9	830.2
— changes in working capital	5,819.9	(8,325.1)	18,233.3	(18,746.6)	(3,107.7)
— income tax paid	(714.3)	(1,018.7)	(1,070.2)	(63.7)	(23.4)
Net cash (used)/generated in investing activities	(14,891.2)	7,598.9	(2,702.7)	5,542.8	(4,031.4)
Net cash generated/(used) from financing activities	16,050.3	(801.6)	(11,498.1)	8,379.3	4,067.2
Effect of foreign exchange rate changes on cash and cash equivalents	39.1	21.3	(109.1)	(11.2)	(98.5)
Net increase/(decrease) in cash and cash equivalents	7,422.9	(179.0)	6,004.4	(4,070.5)	(2,363.6)

We had cash flows generated from operating activities before changes in operating assets and liabilities of approximately RMB1,119.1 million and RMB3,151.2 million for the years ended December 31, 2018 and 2020, respectively.

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We had net cash generated from and used in operating activities of approximately RMB17,981.4 million and RMB2,300.9 million for the three months ended March 31, 2020 and 2021, respectively, primarily attributable to the cash outflow resulted from increase in loans and advances to customers in line with our business expansion and decrease in deposits and placements from banks and other financial institutions. We had net cash used in operating activities of approximately RMB6,997.6 million and RMB2,300.9 million for the year ended December 31, 2019 and for the three months ended March 31, 2021, respectively. As of December 31, 2019 and March 31, 2021, we recorded cash and cash equivalents of approximately RMB23,255.2 million and RMB26,896.0 million, respectively. Taking into account our cash and cash equivalents as of the dates, the profitability and operation condition of our business, we believe that the cash outflow in 2019 and the first three months of 2021 did not have an material adverse impact on our financial positions. The net cash outflow from operating activities was primarily resulted from the increases in loans granted and advances to customers, which was in line with our business expansion. To improve our cash flow, we will continue to increase our efforts to attract deposits from customers by offering diversified products to address demands of different customers so as to obtain long-term stable sources of funds, and we plan to issue financial debt securities such as green financial bonds, SME financial bonds and Sannong financial bonds. A proposal for the public issuance of eligible tier-two capital instruments of our Bank was approved at a shareholders' general meeting held on April 23, 2021. Depending on our future capital needs, our Bank plans to issue eligible tier-two capital instruments of no more than RMB4.0 billion in the domestic markets to replenish our Bank's tier-two capital. The eligible tier-two capital instruments issuance plan is subject to the approval by the relevant regulatory authorities. In addition, we intend to actively utilize central bank funds such as refinancing, rediscount, and medium-term lending facilities. On the other hand, we will closely monitor cash outflow from our loan business and optimize the asset structure. For example, we will prudently plan our investment scale and repayment schedule, and expand our treasury business in accordance with the relevant regulatory requirements to improve our liquidity and cash flow position. For details, please see "Financial Information — Cash Flows".

SELECTED FINANCIAL RATIOS

The following table sets forth, for the periods indicated, key financial indicators.

	<u>For the years ended December 31,</u>			<u>For the three months ended March 31,</u>	
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2021</u>
Profitability indicators					
Return on average total assets ⁽¹⁾	1.14%	1.12%	1.00%	1.33%	1.26%
Return on average equity ⁽²⁾	16.42%	14.92%	13.64%	15.74%	16.71%
Net interest spread ⁽³⁾	1.98%	2.10%	2.10%	2.23%	1.91%
Net interest margin ⁽⁴⁾	2.05%	2.18%	2.16%	2.34%	1.98%
Cost-to-income ratio ⁽⁵⁾	29.98%	28.84%	31.51%	30.86%	27.60%

Notes:

- (1) Calculated by dividing net profit for the period by average balance of total assets at the beginning and the ending of the period.
- (2) Calculated by dividing net profit for the period by average balance of total shareholders' equity at the beginning and the ending of the period.
- (3) Calculated as the difference between the average yield on total interest-earning assets and the average cost of total interest-bearing liabilities.
- (4) Calculated by dividing net interest income by the average balance of total interest-earning assets at the beginning and the ending of the period.
- (5) Calculated by dividing total operating expenses (excluding tax and surcharges) by total operating income.

Return on average total assets decreased from approximately 1.14% in 2018 to 1.12% in 2019 and further decreased to 1.00% in 2020. For the same years, our return on equity decreased from approximately 16.42% to

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14.92% and further decreased to 13.64%, respectively. Such decrease reflects a faster growth of our total assets and total shareholders' equity as compared to the growth of our net profit, which was primarily due to (i) our acquisition of Zhanjiang RCB in November 2019 and Chaoyang RCB in December 2020, resulting in a significant increase in our total assets and total shareholders' equity; and (ii) relative small portion of net profit recognized in the corresponding years due to the short period of time since acquisition. For the three months ended March 31, 2020 and 2021, our return on average total assets decreased from approximately 1.33% to 1.26%, mainly due to the consolidation of Chaoyang RCB in December 2020, which has a relatively lower profitability as compared with our Group. For the same period, our return on equity increased from approximately 15.74% to 16.71%, reflecting a faster growth of our net profit as compared to the growth of our shareholders' equity, which was in turn due to (i) the increased net profit in the first three months of 2021 resulted from our business expansion and effective cost management; and (ii) the relatively lower increase in shareholders' equity because changes in fair value of financial assets at fair value through other comprehensive income decreased as the market interest rate of our debt securities increased in the first three months of 2021.

Information on Certain Regulatory Indicators

The following table sets forth information relating to certain regulatory indicators, calculated in accordance with the requirements of the PRC banking regulatory authorities and applicable accounting standards, as of the dates indicated.

	As of December 31,			As of March 31,	Regulatory Requirement
	2018	2019	2020	2021	
Capital adequacy indicators					
Core tier-one capital adequacy ratio ⁽¹⁾	12.08%	12.63%	11.54%	11.52%	≥ 7.5%
Tier-one capital adequacy ratio ⁽²⁾	12.09%	12.65%	11.57%	11.56%	≥ 8.5%
Capital adequacy ratio ⁽³⁾	14.84%	15.30%	14.00%	13.93%	≥ 10.5%
Asset quality indicators					
Non-performing loan ratio ⁽⁴⁾	1.27%	1.00%	0.82%	0.79%	≤ 5%
Allowance coverage ratio ⁽⁵⁾	345.74%	389.57%	375.13%	376.90%	≥ 150%
Allowance to total loan ratio ⁽⁶⁾	4.39%	3.88%	3.06%	2.99%	≥ 2.5%
Other indicators					
Loan to deposit ratio ⁽⁷⁾	62.85%	66.65%	70.36%	71.80%	N/A

Notes:

- (1) Calculated by dividing core tier-one capital, net of core tier one capital deductions, by risk-weighted assets. For the components of core tier-one capital, core tier-one capital deductions and risk weighted assets, please see "Supervision and Regulation—Supervision over Capital Adequacy" and "Financial Information—Capital Resources—Capital Adequacy".
- (2) Calculated by dividing tier-one capital, net of tier one capital deductions, by risk-weighted assets. For the components of tier-one capital, tier-one capital deductions and risk weighted assets, please see "Supervision and Regulation—Supervision over Capital Adequacy" and "Financial Information—Capital Resources—Capital Adequacy".
- (3) Calculated by dividing total capital, net of capital deductions, by risk-weighted assets. For the components of our total capital, capital deductions and risk weighted assets, see "Supervision and Regulation—Supervision over Capital Adequacy" and "Financial Information—Capital Resources—Capital Adequacy".
- (4) Calculated by dividing the amount of NPL (excluding accrued interest) by total amount of loans (excluding accrued interest). For the purpose of NPL ratio calculation, the NPL ratio of Zhanjiang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2019 and 2020 and March 31, 2021, respectively, and not the fair value on the combination date. For the purpose of NPL ratio calculation, the NPL ratio of Chaoyang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2020 and March 31, 2021 and not the fair value on the combination date.
- (5) Calculated by dividing impairment allowances by total non-performing loans (excluding accrued interest). The impairment allowance does not include impairment allowances recorded under bills discounted in other comprehensive income. The allowance coverage ratio of Zhanjiang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2019 and 2020 and March 31, 2021, respectively and not the fair value on the combination date. The allowance coverage ratio of Chaoyang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2020 and March 31, 2021 and not the fair value on the combination date.

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- (6) Calculated by dividing impairment allowances by total loans (excluding accrued interest). The impairment allowance does not include impairment allowances recorded under bills discounted in other comprehensive income. The allowance to total loan ratio of Zhanjiang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2019 and 2020 and March 31, 2021, respectively and not the fair value on the combination date. The allowance to total loan ratio of Chaoyang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2020 and March 31, 2021 and not the fair value on the combination date.
- (7) Calculated by dividing total loans to customers (excluding accrued interest) by total deposits (excluding accrued interest). The loan to deposit ratio of Zhanjiang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2019 and 2020 and March 31, 2021, respectively and not the fair value on the combination date. The loan to deposit ratio of Chaoyang RCB, our subsidiary, was calculated by the original book value of the loans as of December 31, 2020 and March 31, 2021 and not the fair value on the combination date. Before October 1, 2015, the loan to deposit ratio of commercial banks in the PRC shall not exceed 75%. Upon the revision of the Commercial Bank Law of the PRC, which became effective on October 1, 2015, such requirement of loan to deposit ratio had been abolished.

The required regulatory indicators and ratios may be subject to higher standards required by the relevant regulatory authorities from time to time. During the Track Record Period, the regulatory indicators listed above were not subject to such higher standards.

During the Track Record Period, we adopted a comprehensive risk management system to strengthen our risk management and internal control while expanding our business. As of December 31, 2018, 2019 and 2020 and March 31, 2021, our NPL ratio was 1.27%, 1.00%, 0.82% and 0.79%, respectively. The relatively low and continuously decreased NPL ratio of our Bank was primarily attributable to our efforts in controlling risks from the initial stage of loan review process by focusing on the primary and secondary repayment sources of customers and selecting collaterals with higher risk mitigation capabilities. In addition, we conduct annual investigation on risk loans, and formulated handling plans for risk and non-performing loans on a case-by-case basis, such as transfer NPLs to third parties in accordance with the relevant laws and regulations. The decrease in NPL principal amounts through NPL transfer were approximately RMB441.1 million, RMB211.9 million, RMB87.4 million and RMB26.1 million as of December 31, 2018, 2019 and 2020 and March 31, 2021, respectively. Assessment plans were also implemented for different subsidiaries, branches and departments to facilitate the solution of non-performing and risk loans.

OFFERING STATISTICS

The statistics in the following table are based on the assumptions that (i) the Global Offering is completed and 1,148,091,000 H Shares are newly issued in the Global Offering, (ii) special dividend of approximately RMB861.1 million is paid, (iii) the Over-allotment Option for the Global Offering is not exercised, and (iv) 6,888,545,510 Shares are issued and outstanding following the completion of the Global Offering:

	Based on an Offer Price of HK\$7.92	Based on an Offer Price of HK\$8.71
Market capitalization	HK\$54,557.3 million	HK\$59,999.2 million
Unaudited pro forma adjusted net tangible assets per Share ⁽¹⁾	RMB6.33 (HK\$7.63 ⁽²⁾)	RMB6.44 (HK\$7.76 ⁽²⁾)

Notes:

- (1) The unaudited pro forma adjusted consolidated net tangible assets per Share are arrived at after the adjustments of a special dividend of RMB0.15 per Share declared by our Bank, which was pursuant to the resolution of our Shareholders general meeting on April 25, 2019 and the resolution of our Board of Directors dated September 6, 2021. For the purpose of this unaudited pro forma information, the special dividend is regarded as part of the subject matter of the Global Offering and the amount of dividend of approximately RMB861.1 million is calculated based on the number of shares of 5,740 million shares of the Bank as at March 31, 2021. For details, please see “Appendix III - Unaudited Pro Forma Financial Information”.

SUMMARY

- (2) The estimated net proceeds from the Global Offering are translated into Renminbi at the rate of RMB0.8304 to HK\$1.00. No representation is made that the Hong Kong Dollar amounts have been, could have been or could be converted to Renminbi at that rate or at any other rate.
- (3) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to March 31, 2021. In particular, this unaudited pro forma financial information does not account for the cash dividend of approximately RMB1,492.5 million declared on April 23, 2021. Had the dividends been taken into account, the unaudited pro forma adjusted net tangible assets attributable to the shareholders of the Bank would have been RMB42,141 million and RMB42,879 million, and the unaudited pro forma adjusted net tangible assets per Share would have been RMB6.12 (HK\$7.37) and RMB6.22 (HK\$7.50) per Share based on the Offer Price of HK\$7.92 and HK\$8.71 per Offer Share, respectively.

GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (a) the Hong Kong Public Offering of initially 114,810,000 Offer Shares (subject to reallocation) in Hong Kong as described in “Structure of the Global Offering — The Hong Kong Public Offering”; and
- (b) the International Offering of initially 1,033,281,000 Offer Shares (subject to reallocation and the Over-allotment Option) outside the United States only in reliance on Regulation S.

The Offer Shares will represent approximately 16.67% of the enlarged registered capital of our Bank immediately after the Global Offering (assuming no over-allotment option is exercised). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 18.70% of the enlarged registered capital of our Bank immediately after the Global Offering and the exercise of the Over-allotment Option, details of which is set out in “Structure of the Global Offering”.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in the International Offering Shares under the International Offering, but may not do both.

DIVIDEND AND DIVIDEND POLICY

We currently do not have a specific dividend distribution ratio. In 2018, 2019 and 2020, we declared cash dividends in respect of the previous years (i.e. for the years ended December 31, 2017, 2018 and 2019) of approximately RMB1,308.8 million, RMB1,366.2 million and RMB1,492.5 million, respectively. On April 23, 2021, our Shareholders approved and passed a resolution regarding the distribution of dividends of approximately RMB1,492.5 million in respect of the year ended December 31, 2020 at a shareholders’ general meeting. As of the date of this prospectus, save for the special dividend disclosed below, there was no declared but unpaid dividends.

Pursuant to the resolution of our Shareholders passed on the general meeting held on April 25, 2019, it was proposed that a special cash dividend of RMB0.15 per Share shall be distributed to our Shareholders prior to the completion of the Global Offering and the Listing. Such special cash dividend has subsequently been confirmed to be distributed to Shareholders whose names appear on our register of members on August 31, 2021 pursuant to the resolution of our Board of Directors dated September 6, 2021. The total amount of such dividend is approximately RMB861.1 million and is expected to be paid after the entering into of the Price Determination Agreement but before the Listing Date with our internal resources from our distributable profits.

SUMMARY

As the record date of such special dividend is prior to the Listing Date, our H Shareholders will not be entitled to such special dividend. As of the Latest Practicable Date, such special dividend has not been paid.

There is no regulatory approvals required for our Bank to conduct any cash dividend distribution. According to relevant regulatory requirements, including the Notice on Strengthening the Supervision of Profit Distribution of Rural Small- and Medium-sized Financial Institutions (Yinjian Banfa [2016] No. 461) (《中國銀監會辦公廳關於強化農村中小金融機構利潤分配監管有關事項的通知》) issued by the General Office of CBRC, our Bank should determine a reasonable distribution ratio and shall not distribute any cash dividend if we are unable to meet the relevant regulatory indicator or do not have sufficient distributable profits.

When determining whether to pay dividend and the amount of dividend paid, we take into consideration of our operating results, cash flow, financial positions, capital adequacy ratio, future business prospects, statutory and regulatory restrictions we need to comply with in paying dividend and other factors considered relevant by our Board of Directors. Dividend declaration and payment shall be proposed by our Board of Directors in accordance with our Articles of Association and relevant laws and regulations. Any dividend we paid must be approved at the general meeting of Shareholders. Dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form or size, dividends will be paid in the future. For details on our dividends, please see “Financial Information — Dividend — Dividend Policy”.

SHAREHOLDING RESTRICTION AND OUR SHAREHOLDING STRUCTURE

Pursuant to the Interim Rules on Management of Shareholdings of Commercial Banks 《商業銀行股權管理暫行辦法》, (i) prior approval from the CBIRC shall be obtained prior to the shareholding of any investor, together with the shareholdings of its related parties and parties acting in concert, reaches or exceeds 5% of the total issued share of our Bank; and (ii) if any investor, together with its related parties and parties acting in concert, comes into holding equal to or more than 1% but less than 5% of the total issued share of our Bank, he or she shall report to the CBIRC within ten business days after acquiring such shareholdings.

As of the Latest Practicable Date, there was only one Shareholder holding more than 5% of our issued Shares, namely Canvest Investment, which held approximately 5.21% of our issued Shares. Canvest Investment is wholly-owned by Mr. Guo Huiqiang. Immediately following the completion of the Global Offering, such shareholding of Canvest Investment will represent approximately 4.34% of our then issued Shares or 5.21% of our then issued Domestic Shares, assuming the Over-allotment Option is not exercised, and approximately 4.24% of our then issued Shares or 5.21% of our then issued Domestic Shares, assuming the Over-allotment Option is exercised in full. For details, please see “Substantial Shareholders”.

FUTURE PLANS AND USE OF PROCEEDS

Assuming an Offer Price of HK\$8.32 (being the mid-point of the proposed Offer Price range of HK\$7.92 to HK\$8.71), after deduction of underwriting commissions and estimated expenses payable by the Group in connection with the Global Offering, we estimated that the net proceeds of the Global Offering will be approximately HK\$9,295.4 million (assuming the Over-allotment Option is not exercised) or approximately HK\$10,699.4 million (assuming the Over-allotment Option is fully exercised). We intend to use the net proceeds of the Global Offering for strengthening our capital base by supplementing our core tier-one capital and therefore supporting the sustainable growth of our business. For details on our proposed use of proceeds from the Global Offering, please see “Future Plans and Use of Proceeds”.

SUMMARY

IMPACT OF COVID-19

During the initial outbreak of COVID-19, we adopted appointment-based financial service schemes and resumed normal business operations since March 2020.

In response to various Deferral Notices promulgated by the PRC government to encourage banking and financial institutions to extend credit support to enterprises and individuals affected by the epidemic and the appeal for providing support to the economy and the community during COVID-19, as of June 30, 2021, we have granted principal extension to 925 loans with an aggregate amount of approximately RMB2,441.8 million (among which 41 loans with an aggregate amount of approximately RMB133.3 million have been granted further extension) and allowed deferred interest payment for 11,214 loans with an aggregate interest amount of approximately RMB172.0 million. As of June 30, 2021, approximately 32.6% or RMB795.4 million of the extended principal has been repaid with RMB1,615.1 million outstanding but not yet due and RMB31.3 million overdue; and approximately 99.5% or RMB171.1 million of the deferred interest has been repaid with the remaining RMB0.9 million overdue.

On the other hand, benefiting from PBoC's policy in providing liquidity to promote resumption of production through relending and rediscount, our Group has applied to the PBoC for relending (i.e. loans from PBoC to our Bank) which amounted to approximately RMB4.3 billion as of March 31, 2021 and pledged local government bonds with market value of approximately RMB5.2 billion held by us to the PBoC, resulting in the realizable financial assets of our Group being reduced by approximately RMB5.2 billion.

As a result of the principal extension and pledging of local government bonds, our liquidity ratio as at March 31, 2021 has been reduced by 3.2 percentage points to approximately 74.7%, which remained above the minimum regulatory requirement of 25%. For details, please see to "Business — Impact of COVID-19 — Overview". For the risks associated with COVID-19, please see "Risk Factors — Risks Relating to Our Business — The recent outbreak of the contagious COVID-19 in the PRC and worldwide may have an adverse effect on our business, financial condition and results of operations".

Our Directors confirmed that, up to the date of this prospectus, there has been no material adverse impact on our loan portfolio and asset quality, financial results or business operations and loans recoverability as a result of the outbreak of COVID-19, taking into account of the amount involved under the Deferral Notices and its outstanding amount and overdue amount as at June 30, 2021, and there had been no event that would materially and adversely affect the information shown in the Accountant's Report as set out in Appendix I to this prospectus.

RECENT DEVELOPMENTS

Our business has continued to experience growth since March 31, 2021.

From March 31, 2021 to the Latest Practicable Date, our Shareholders approved a proposal on the public issuance of eligible tier-two capital instruments of our Bank at a shareholders' general meeting held on April 23, 2021. Our Bank plans to issue eligible tier-two capital instruments of not more than RMB4.0 billion in the domestic markets to replenish our Bank's tier-two capital. The eligible tier-two capital instruments issuance plan is further subject to the approval by the relevant regulatory authorities.

As of June 30, 2021, our total assets have grown steadily since March 31, 2021 and the scale and structure of financial investments remained stable as compared to March 31, 2021. In addition, our deposits from customers and our Shareholder's equity have achieved steady growth since March 31, 2021. With respect to the quality of our assets, our non-performing loan ratio remained relatively stable since March 31, 2021.

SUMMARY

The following tables set forth certain financial information as of the dates and for the periods indicated.

	<u>As of March 31,</u> <u>2021</u>	<u>As of June 30,</u> <u>2021</u>
	<i>(unaudited)</i>	
	<i>(in millions of RMB, except percentages)</i>	
Total assets	564,558.2	583,357.5
Loans and advances to customers	268,689.9	272,619.6
Financial investment	231,006.6	237,850.5
— Financial assets at fair value through profit or loss	37,097.2	43,820.0
— Financial investments at amortized cost	109,770.4	109,588.4
— Financial investments at fair value through other comprehensive income	84,139.0	84,442.1
Cash and balances with central banks	36,955.9	46,138.0
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	19,338.9	17,653.2
Total liabilities	524,241.4	543,016.1
Deposits from customers	389,641.3	407,773.0
NPL ratio	0.79%	0.83%
Debt securities issued	54,780.9	55,191.2
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	45,590.8	45,981.4
Borrowings from central banks	29,870.6	29,477.7
Total equity	40,316.9	40,341.4
Total equity attributable to Shareholders of the Bank	37,761.3	37,791.5
Non-controlling interests	2,555.6	2,549.9

	<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2021</u>
	<i>(unaudited)</i>	
	<i>(in millions of RMB)</i>	
Net interest income	5,098.1	5,202.9
Interest income	9,563.7	10,753.4
Interest expenses	(4,465.6)	(5,550.5)
Net fee and commission income	419.9	340.9
Fee and commission income	463.3	417.5
Fee and commission expenses	(43.4)	(76.6)
Operating income	6,172.7	6,487.9
Net trading gains	442.6	576.2
Net gains on financial investments	165.9	344.7
Other operating income	46.2	23.2
Operating profit	3,239.1	3,442.8
Operating expenses	(2,067.6)	(2,132.9)
Expected credit losses and asset losses	(866.0)	(912.2)

	<u>For the six months ended June 30,</u>	
	<u>2020</u>	<u>2021</u>
	<i>(unaudited)</i>	
	<i>(in millions of RMB)</i>	
Cash flows from operating activities	1,565.9	1,317.5
Profit before tax	3,257.0	3,470.5
Adjustments:	(1,691.1)	(2,153.0)
Including:		
Interest income from financial investments	(3,003.6)	(3,244.3)
Expected credit losses	866.0	912.2
Net increase in operating assets	(13,559.6)	(21,493.0)
Net increase in operating liabilities	14,926.8	30,861.9
Income tax paid	(711.0)	(608.9)
Net cash generated from operating activities	2,222.2	10,077.5

As of June 30, 2021, our total assets increased by approximately 3.3% to RMB583,357.5 million from RMB564,558.2 million as of March 31, 2021, primarily due to the increase in loans and advances to our customers from approximately RMB268,689.9 million as of March 31, 2021 to RMB272,619.6 million as of June 30, 2021, which was in turn resulted from our continuous business expansion.

SUMMARY

As of June 30, 2021, our total liabilities increased by approximately 3.6% to RMB543,016.1 million from RMB524,241.4 million as of March 31, 2021, because our deposits from customers increased by approximately 4.7% from RMB389,641.3 million as of March 31, 2021 to RMB407,773.0 million as of June 30, 2021, primarily due to our efforts to attract more corporate deposits.

For the six months ended June 30, 2021, our operating income increased to approximately RMB6,487.9 million from RMB6,172.8 million for the same period in 2020, representing a year-on-year growth of 5.1%.

As of June 30, 2021, our non-performing loan ratio remained relatively stable at approximately 0.83% as compared to 0.79% recorded as of March 31, 2021.

The financial information as of and for the six months ended June 30, 2021 as shown above was extracted from our unaudited condensed interim financial statements prepared by our Directors in accordance with IAS 34 “Interim Financial Reporting”, which were reviewed by PricewaterhouseCoopers, our Reporting Accountant, in accordance with the International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

LISTING EXPENSES

We incur listing expenses in connection with the Listing, which primarily include professional fees, underwriting commission and other related listing fees. We expect to incur listing expenses of approximately RMB228.9 million (equivalent to approximately HK\$275.6 million, assuming an Offer Price of HK\$8.32 per H Share, being the mid-point of the indicative Offer Price range as stated in this prospectus, and assuming the Over-allotment Option is not exercised), representing approximately 2.9% of the estimated gross proceeds of the Global Offering accruing to us. We have incurred listing expenses of approximately RMB36.4 million (equivalent to approximately HK\$43.8 million) up to March 31, 2021 which were included in “other assets” in the consolidated statements of financial position and are expected to be accounted for as a deduction from equity upon Listing. None of the listing expenses to be borne by us were reflected in our consolidated statements of comprehensive income during the Track Record Period. Listing expenses of approximately RMB192.5 million (equivalent to approximately HK\$231.8 million) are expected to be incurred after March 31, 2021, of which approximately RMB15.7 million (equivalent to approximately HK\$18.9 million) is expected to be charged to our consolidated statements of comprehensive income and approximately RMB176.8 million (equivalent to approximately HK\$212.9 million) is expected to be accounted for as a deduction from equity. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.