

The following is the text of a report set out on pages I-1 to I-3, received from the Group's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Group and to the Joint Sponsors pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DONGGUAN RURAL COMMERCIAL BANK CO., LTD. AND CHINA MERCHANTS SECURITIES (HK) CO., LIMITED, CMB INTERNATIONAL CAPITAL LIMITED, ABCI CAPITAL LIMITED AND ICBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Dongguan Rural Commercial Bank Co., Ltd. (the "Bank") and its subsidiaries (together, the "Group") set out on pages I-4 to I-198, which comprises the consolidated statements of financial position as at December 31, 2018, 2019 and 2020 and March 31, 2021, the company statements of financial position as at December 31, 2018, 2019 and 2020 and March 31, 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-198 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Bank dated September 16, 2021 (the "Prospectus") in connection with the initial listing of shares of the Bank on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Bank are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

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Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Bank as at December 31, 2018, 2019 and 2020 and March 31, 2021 and the consolidated financial position of the Group as at December 31, 2018, 2019 and 2020 and March 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 36 to the Historical Financial Information which contains information about the dividends paid by the Bank in respect of the Track Record Period.

PricewaterhouseCoopers*Certified Public Accountants*

Hong Kong

September 16, 2021

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021 ("the Track Record Period"), on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years ended December 31,			Three months ended March 31,	
		2018	2019	2020	2020	2021
					(Unaudited)	
Interest income	4	16,114,672	17,353,111	19,517,604	4,757,632	5,304,303
Interest expense	4	(8,794,276)	(8,551,824)	(9,585,225)	(2,230,423)	(2,723,955)
Net interest income		7,320,396	8,801,287	9,932,379	2,527,209	2,580,348
Fee and commission income	5	1,052,724	1,184,060	995,075	207,146	226,116
Fee and commission expense	5	(101,160)	(129,287)	(54,696)	(14,873)	(32,699)
Net fee and commission income		951,564	1,054,773	940,379	192,273	193,417
Net trading gains	6	1,223,009	1,133,273	881,282	361,262	308,217
Net gains on financial investments	7	82,018	462,874	181,903	57,600	57,464
Other operating income	8	200,600	343,020	111,104	34,716	16,550
Operating income		9,777,587	11,795,227	12,047,047	3,173,060	3,155,996
Operating expenses	9	(3,049,329)	(3,535,757)	(3,924,886)	(1,008,265)	(898,983)
Expected credit losses and asset losses	12	(1,717,078)	(2,593,543)	(2,774,335)	(437,220)	(272,553)
Operating profit		5,011,180	5,665,927	5,347,826	1,727,575	1,984,460
Share of profits of associates	20	23,048	34,847	24,283	6,352	15,680
Profit before tax		5,034,228	5,700,774	5,372,109	1,733,927	2,000,140
Income tax expense	13	(580,922)	(830,525)	(316,792)	(206,465)	(240,939)
Net profit		<u>4,453,306</u>	<u>4,870,249</u>	<u>5,055,317</u>	<u>1,527,462</u>	<u>1,759,201</u>

	Note	Years ended December 31,			Three months ended	
		2018	2019	2020	March 31, 2020	2021
					(Unaudited)	
Net profit attributable to:						
Shareholders of the Bank		4,482,351	4,935,856	4,856,926	1,500,924	1,711,808
Non-controlling interests		(29,045)	(65,607)	198,391	26,538	47,393
		<u>4,453,306</u>	<u>4,870,249</u>	<u>5,055,317</u>	<u>1,527,462</u>	<u>1,759,201</u>
Basic and diluted earnings per share for profit attributable to the shareholders of the Bank (expressed in RMB per share)	14	<u>0.78</u>	<u>0.86</u>	<u>0.85</u>	<u>0.26</u>	<u>0.30</u>
Other comprehensive income/(losses)	33					
<u>Items which may be reclassified to profit or loss:</u>						
Changes in fair value of financial assets at fair value through other comprehensive income		1,654,946	(865,093)	(1,510,171)	690,586	(220,622)
Credit impairment provision for financial assets at fair value through other comprehensive income		612,095	1,731,008	98,386	105,946	103,868
Impact on income tax on changes in fair value and credit impairment provision of financial assets at fair value through other comprehensive income		(566,760)	(216,447)	352,897	(199,133)	29,188
<u>Items will not be reclassified to profit or loss:</u>						
Changes in fair value of equity instruments designated at fair value through other comprehensive income		(3,822)	10,577	2,557	(7,367)	3,073
Impact on income tax on changes in fair value of equity instruments designated at fair value through other comprehensive income		956	(2,644)	(639)	1,842	(768)
		<u>1,697,415</u>	<u>657,401</u>	<u>(1,056,970)</u>	<u>591,874</u>	<u>(85,261)</u>
Total comprehensive income		<u>6,150,721</u>	<u>5,527,650</u>	<u>3,998,347</u>	<u>2,119,336</u>	<u>1,673,940</u>
Total comprehensive income attributable to:						
Shareholders of the Bank		6,176,742	5,592,152	3,823,743	2,088,555	1,615,558
Non-controlling interests		(26,021)	(64,502)	174,604	30,781	58,382
		<u>6,150,721</u>	<u>5,527,650</u>	<u>3,998,347</u>	<u>2,119,336</u>	<u>1,673,940</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at December 31,			As at
		2018	2019	2020	March 31, 2021
ASSETS					
Cash and balances with central banks	15	40,296,882	39,557,171	38,576,454	36,955,877
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	16	15,033,574	21,299,663	18,707,434	19,338,941
Loans and advances to customers	17	157,445,661	198,970,638	254,641,762	268,689,883
Financial investments	18	188,997,400	195,475,309	227,713,101	231,006,625
— Financial assets at fair value through profit or loss		34,974,737	30,254,846	36,101,567	37,097,217
— Financial investments at amortized cost		67,979,559	86,869,578	111,667,933	109,770,386
— Financial investments at fair value through other comprehensive income		86,043,104	78,350,885	79,943,601	84,139,022
Investment in associates	20	267,662	430,645	432,990	448,670
Property and equipment	21	1,396,123	1,577,638	2,432,773	2,466,700
Right-of-use assets	22	629,949	613,557	612,164	595,150
Goodwill	23	—	181,381	520,521	520,521
Deferred tax assets	24	1,683,771	2,018,115	3,054,183	3,089,073
Other assets	25	2,153,630	1,084,685	1,710,574	1,446,752
Total assets		407,904,652	461,208,802	548,401,956	564,558,192
LIABILITIES					
Borrowings from central banks	26	644,513	2,601,164	30,653,358	29,870,602
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	27	53,204,378	46,373,159	43,482,217	45,590,795
Financial liabilities at fair value through profit or loss		24,494	132,398	238,841	230,174
Deposits from customers	28	265,004,892	314,217,005	377,548,894	389,641,304
Debt securities issued	29	55,676,725	58,271,670	50,249,237	54,780,901
Taxes payable	30	536,413	913,821	822,735	1,060,824
Lease liabilities	22	499,967	456,383	450,860	433,137
Other liabilities	31	2,478,697	2,771,421	6,313,000	2,633,701
Total liabilities		378,070,079	425,737,021	509,759,142	524,241,438
EQUITY					
Share capital	32	5,740,455	5,740,455	5,740,455	5,740,455
Revaluation reserve	33	573,178	1,229,474	196,291	100,041
Surplus reserve	34	6,203,996	6,705,033	7,177,594	7,177,594
General reserve	34	5,017,771	5,284,125	5,767,735	5,767,735
Retained earnings		12,053,080	14,855,317	17,263,552	18,975,360
Total equity attributable to shareholders of the Bank		29,588,480	33,814,404	36,145,627	37,761,185
Non-controlling interests		246,093	1,657,377	2,497,187	2,555,569
Total equity		29,834,573	35,471,781	38,642,814	40,316,754
Total liabilities and equity		407,904,652	461,208,802	548,401,956	564,558,192

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to shareholders of the Bank					Non-controlling interests	Total
	Share capital	Revaluation reserve	Surplus reserve	General reserve	Retained earnings		
	(Note 32)	(Note 33)	(Note 34)	(Note 34)			
As at January 1, 2018	5,740,455	(1,121,213)	2,747,740	4,787,719	12,565,862	290,148	25,010,711
Net profit for the year	—	—	—	—	4,482,351	(29,045)	4,453,306
Other comprehensive income	—	1,694,391	—	—	—	3,024	1,697,415
Total comprehensive income	—	1,694,391	—	—	4,482,351	(26,021)	6,150,721
Appropriation to surplus reserve	—	—	3,456,256	—	(3,456,256)	—	—
Appropriation to general reserve	—	—	—	230,052	(230,052)	—	—
Dividend distribution (Note 36)	—	—	—	—	(1,308,825)	(18,034)	(1,326,859)
As at December 31, 2018	<u>5,740,455</u>	<u>573,178</u>	<u>6,203,996</u>	<u>5,017,771</u>	<u>12,053,080</u>	<u>246,093</u>	<u>29,834,573</u>
As at January 1, 2019	5,740,455	573,178	6,203,996	5,017,771	12,053,080	246,093	29,834,573
Net profit for the year	—	—	—	—	4,935,856	(65,607)	4,870,249
Other comprehensive income	—	656,296	—	—	—	1,105	657,401
Total comprehensive income	—	656,296	—	—	4,935,856	(64,502)	5,527,650
Acquisition of a subsidiary	—	—	—	—	—	1,480,921	1,480,921
Appropriation to surplus reserve	—	—	501,037	—	(501,037)	—	—
Appropriation to general reserve	—	—	—	266,354	(266,354)	—	—
Dividend distribution (Note 36)	—	—	—	—	(1,366,228)	(5,135)	(1,371,363)
As at December 31, 2019	<u>5,740,455</u>	<u>1,229,474</u>	<u>6,705,033</u>	<u>5,284,125</u>	<u>14,855,317</u>	<u>1,657,377</u>	<u>35,471,781</u>

Equity attributable to shareholders of the Bank

	Share capital	Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total
As at January 1, 2020	(Note 32)	(Note 33)	(Note 34)	(Note 34)			
Net profit for the year	5,740,455	1,229,474	6,705,033	5,284,125	14,855,317	1,657,377	35,471,781
Other comprehensive income	—	—	—	—	4,856,926	198,391	5,055,317
	—	(1,033,183)	—	—	—	(23,787)	(1,056,970)
Total comprehensive income	—	(1,033,183)	—	—	4,856,926	174,604	3,998,347
Acquisition of a subsidiary	—	—	—	—	—	727,272	727,272
Appropriation to surplus reserve	—	—	472,561	—	(472,561)	—	—
Appropriation to general reserve	—	—	—	483,610	(483,610)	—	—
Dividend distribution (Note 36)	—	—	—	—	(1,492,520)	(62,066)	(1,554,586)
As at December 31, 2020	5,740,455	196,291	7,177,594	5,767,735	17,263,552	2,497,187	38,642,814
(Unaudited)							
As at January 1, 2020	5,740,455	1,229,474	6,705,033	5,284,125	14,855,317	1,657,377	35,471,781
Net profit for the period	—	—	—	—	1,500,924	26,538	1,527,462
Other comprehensive income	—	587,631	—	—	—	4,243	591,874
Total comprehensive income	—	587,631	—	—	1,500,924	30,781	2,119,336
Appropriation to surplus reserve	—	—	—	—	—	—	—
Appropriation to general reserve	—	—	—	—	—	—	—
Dividend distribution (Note 36)	—	—	—	—	—	—	—
As at March 31, 2020(Unaudited)	5,740,455	1,817,105	6,705,033	5,284,125	16,356,241	1,688,158	37,591,117

Equity attributable to shareholders of the Bank

	Share capital	Revaluation reserve	Surplus reserve	General reserve	Retained earnings	Non-controlling interests	Total
As at January 1, 2021	(Note 32)	(Note 33)	(Note 34)	(Note 34)			
Net profit for the period	5,740,455	196,291	7,177,594	5,767,735	17,263,552	2,497,187	38,642,814
Other comprehensive income	—	—	—	—	1,711,808	47,393	1,759,201
	—	(96,250)	—	—	—	10,989	(85,261)
Total comprehensive income	—	(96,250)	—	—	1,711,808	58,382	1,673,940
Appropriation to surplus reserve	—	—	—	—	—	—	—
Appropriation to general reserve	—	—	—	—	—	—	—
Dividend distribution (Note 36)	—	—	—	—	—	—	—
As at March 31, 2021	5,740,455	100,041	7,177,594	5,767,735	18,975,360	2,555,569	40,316,754

CONSOLIDATED CASH FLOW STATEMENTS

	Note	Years ended December 31,			Three months ended March 31,	
		2018	2019	2020	2020	2021
(Unaudited)						
Cash flows from operating activities:						
Profit before tax		5,034,228	5,700,774	5,372,109	1,733,927	2,000,140
Adjust for:						
Expected credit losses and asset losses	12	1,717,078	2,593,543	2,774,335	437,220	272,553
Interest income from financial investments	4	(6,523,443)	(6,256,619)	(5,980,844)	(1,511,360)	(1,596,023)
Interest expense on debt securities issued	4	1,990,457	1,891,196	1,778,187	506,837	411,126
Interest expense on lease liabilities	4	21,734	24,497	17,174	4,504	4,369
Net trading gains	6	(1,223,009)	(1,133,273)	(881,282)	(361,262)	(308,217)
Net gains on financial investments	7	(82,018)	(462,874)	(181,903)	(57,600)	(57,464)
Net gains on disposal of property, equipment and other long-term assets	8	(148,079)	(296,420)	(73,453)	(25,929)	(5,212)
Depreciation and amortization	9	355,164	320,228	351,126	108,908	124,595
Share of profits of associates	20	(23,048)	(34,847)	(24,283)	(6,352)	(15,680)
		<u>1,119,064</u>	<u>2,346,205</u>	<u>3,151,166</u>	<u>828,893</u>	<u>830,187</u>
Net increase in operating assets:						
Net decrease/(increase) in balances with central banks		3,472,895	4,220,996	3,003,430	2,836,642	(1,184,106)
Net decrease/(increase) in financial assets held under resale agreements and deposits and placements with banks and other financial institutions		11,953,385	(3,751,011)	9,018,517	2,059,805	(205,774)
Net increase in loans and advances to customers		(19,341,214)	(31,114,241)	(52,354,611)	(12,091,757)	(14,164,754)
Net decrease/(increase) in other operating assets		<u>25,198</u>	<u>(402,049)</u>	<u>(481,947)</u>	<u>(87,657)</u>	<u>207,528</u>
		<u>(3,889,736)</u>	<u>(31,046,305)</u>	<u>(40,814,611)</u>	<u>(7,282,967)</u>	<u>(15,347,106)</u>

APPENDIX I

ACCOUNTANT'S REPORT

Note	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Net increase in operating liabilities:					
Net increase/(decrease) in borrowings from central banks	328,712	1,956,651	28,040,491	1,669,604	(782,756)
Net (decrease)/increase in financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	(12,116,074)	(6,865,281)	(3,598,757)	(17,385,124)	2,108,578
Net increase in deposits from customers	21,126,348	27,334,849	33,673,990	4,375,835	12,092,410
Net increase/(decrease) in other operating liabilities	370,681	295,045	932,267	(123,912)	(1,178,787)
	<u>9,709,667</u>	<u>22,721,264</u>	<u>59,047,991</u>	<u>(11,463,597)</u>	<u>12,239,445</u>
Cash from operations	6,938,995	(5,978,836)	21,384,546	(17,917,671)	(2,277,474)
Income tax paid	(714,327)	(1,018,781)	(1,070,229)	(63,692)	(23,379)
Net cash generated from/ (used in) operating activities	<u>6,224,668</u>	<u>(6,997,617)</u>	<u>20,314,317</u>	<u>(17,981,363)</u>	<u>(2,300,853)</u>
Cash flows from investing activities:					
Cash received from disposal of financial investments	253,344,639	211,958,380	214,106,873	46,356,499	59,779,331
Net cash received from disposal of property, equipment and other long-term assets	24,984	348,556	139,110	65,923	13,088
Cash dividends received	43,427	58,549	56,255	—	1,800
Cash paid to acquire financial investments	(266,965,670)	(209,137,095)	(223,919,224)	(40,770,794)	(63,722,599)
Cash paid to acquire property, equipment and other long-term assets	(163,454)	(227,273)	(576,340)	(119,805)	(116,327)
Cash (paid for)/received from investment in a subsidiary, net	38 (1,178,000)	4,560,267	7,435,252	—	—
Net proceeds from other investing activities	2,921	37,511	55,351	10,969	13,268
	<u>(14,891,153)</u>	<u>7,598,895</u>	<u>(2,702,723)</u>	<u>5,542,792</u>	<u>(4,031,439)</u>
Net cash (used in)/generated from investing activities					

Note	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Cash flows from financing activities:					
Cash received for debt securities issued	102,640,000	87,817,901	109,139,297	38,294,884	24,560,718
Cash payments for debt securities issued	(85,140,926)	(87,114,152)	(118,939,917)	(29,870,000)	(20,440,180)
Cash payments for distribution of dividends	(1,326,860)	(1,371,363)	(1,554,586)	—	—
Cash payments for leases	(121,884)	(124,219)	(128,035)	(32,070)	(35,360)
Cash payments to be deducted against equity upon listing expenses	—	(9,762)	(14,882)	(13,470)	(17,955)
Net cash generated from/(used in) financing activities	<u>16,050,330</u>	<u>(801,595)</u>	<u>(11,498,123)</u>	<u>8,379,344</u>	<u>4,067,223</u>
Effect of foreign exchange rate changes on cash and cash equivalents	<u>39,053</u>	<u>21,321</u>	<u>(109,086)</u>	<u>(11,308)</u>	<u>(98,566)</u>
Net increase/(decrease) in cash and cash equivalents	<u>7,422,898</u>	<u>(178,996)</u>	<u>6,004,385</u>	<u>(4,070,535)</u>	<u>(2,363,635)</u>
Cash and cash equivalents at the beginning of the year/period	<u>16,011,336</u>	<u>23,434,234</u>	<u>23,255,238</u>	<u>23,255,238</u>	<u>29,259,623</u>
Cash and cash equivalents at the end of the year/period	35 <u><u>23,434,234</u></u>	<u><u>23,255,238</u></u>	<u><u>29,259,623</u></u>	<u><u>19,184,703</u></u>	<u><u>26,895,988</u></u>

STATEMENTS OF FINANCIAL POSITION OF THE BANK

	Note	As at December 31,			As at
		2018	2019	2020	March 31, 2021
ASSETS					
Cash and balances with central banks	15	39,906,098	37,063,305	32,372,011	30,940,399
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	16	14,597,973	15,561,236	13,880,849	15,121,535
Loans and advances to customers	17	155,255,266	185,112,186	234,685,274	245,968,915
Financial investments	18	186,732,039	186,902,567	191,100,234	194,188,965
— Financial assets at fair value through profit or loss		34,974,737	30,254,846	35,971,047	36,731,865
— Financial investments at amortized cost		67,811,115	80,462,517	78,721,881	82,099,003
— Financial investments at fair value through other comprehensive income		83,946,187	76,185,204	76,407,306	75,358,097
Investment in subsidiaries	19	290,000	1,917,760	3,735,487	3,735,487
Investment in associates	20	267,662	430,645	432,990	448,670
Property and equipment	21	1,378,758	1,396,004	1,760,613	1,831,806
Right-of-use assets	22	600,063	549,267	495,877	483,322
Deferred tax assets	24	1,578,504	1,849,222	2,765,742	2,810,137
Other assets	25	2,132,311	1,012,920	1,497,714	1,225,632
Total assets		402,738,674	431,795,112	482,726,791	496,754,868
LIABILITIES					
Borrowings from central banks	26	600,504	2,540,133	30,239,596	29,495,549
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	27	53,065,507	46,784,620	41,899,089	44,373,729
Financial liabilities at fair value through profit or loss		24,494	132,398	238,841	230,174
Deposits from customers	28	260,341,820	286,159,506	316,367,152	325,520,897
Debt securities issued	29	55,628,613	58,421,670	50,635,237	55,668,282
Taxes payable	30	533,271	849,282	820,579	1,023,639
Lease liabilities	22	468,737	408,532	348,473	334,546
Other liabilities	31	2,463,644	2,613,348	6,021,258	2,427,285
Total liabilities		373,126,590	397,909,489	446,570,225	459,074,101

	Note	As at December 31,			As at
		2018	2019	2020	March 31,
					2021
EQUITY					
Share capital	32	5,740,455	5,740,455	5,740,455	5,740,455
Revaluation reserve	33	545,242	1,174,639	212,485	118,233
Surplus reserve	34	6,203,996	6,705,033	7,177,594	7,177,594
General reserve	34	4,995,563	5,246,082	5,718,643	5,718,643
Retained earnings		<u>12,126,828</u>	<u>15,019,414</u>	<u>17,307,389</u>	<u>18,925,842</u>
Total equity		<u>29,612,084</u>	<u>33,885,623</u>	<u>36,156,566</u>	<u>37,680,767</u>
TOTAL LIABILITIES AND EQUITY		<u>402,738,674</u>	<u>431,795,112</u>	<u>482,726,791</u>	<u>496,754,868</u>

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 General information**

Dongguan Rural Commercial Bank Co., Ltd. (“the Bank”) primary established in 1952, formerly known as Dongguan Rural Credit Cooperatives Union (“Dongguan Cooperatives Union”). Subsequently, as per the approval by China Banking and Insurance Regulatory Commission (“CBIRC”, formerly China Banking Regulatory Commission), Dongguan Cooperatives Union was restructured into a joint-stock commercial bank, and officially changed its name to Dongguan Rural Commercial Bank Co., Ltd. on December 22, 2009.

The Bank operates under financial services certificate NO. B1054H244190001 issued by CBIRC, and the Business License issued by the State Administration for Industry and Commerce of the People’s Republic of China (registration ID: 914419007829859746). The registered address is Hongfu East Road No. 2, Dongcheng District, Dongguan, Guangdong.

The Bank and its subsidiaries (collectively referred to as “the Group”) operate in the People’s Republic of China (the “PRC”) and are principally engaged in the following activities: corporate and individual deposits, loans and advances, payment and settlement, treasury and other banking business approved by CBIRC.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to relevant periods presented unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Group have been prepared in accordance with all the applicable *International Financial Reporting Standards* (“IFRSs”) issued by International Accounting Standards Board (“IASB”).

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on January 1, 2021 including IFRS 9, IFRS 15 and IFRS 16, are consistently applied to the Group throughout the Track Record Period.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

The preparation of the Historical Financial information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to Historical Financial information are presented in Note 3.

2.1.1 New and revised IFRSs issued but not yet effective

		Effective for the annual periods beginning on or after
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined.
Amendments to IFRS 16	Covid-19 — Related Rent Concessions beyond June 30, 2021	April 1, 2021
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2022
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before intended use	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	January 1, 2022
Annual Improvements to IFRS Standards 2018–2020		January 1, 2022
IFRS 17	Insurance contracts	January 1, 2023

The Group does not expect that adoption of these standards will have a significant impact on the Group's financial position and performance.

2.2 Consolidated financial statements

2.2.1 Basis of consolidation

The Historical Financial Information include the financial statements of the Bank and its subsidiaries as well as structured entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statements of comprehensive income from the date of acquisition or up to the date on which control ceases, respectively.

Adjustments are made to the financial statements of subsidiaries, where appropriate, to consistently reflect the accounting policies of the Group.

All intra-group transactions, balances and unrealized gains on transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Non-controlling interests of consolidated subsidiaries are presented separately from the controlling party's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Further, total comprehensive income of a subsidiary is attributed, based on the proportion of their respective holdings, to the equity holders of the Bank and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

In the Bank's statement of financial position, its investments in subsidiaries are stated at cost, less impairment losses, if any.

2.2.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair value of the assets transferred by the Group, liabilities incurred or assumed by the Group, and any equity interests issued by the Group. Acquisition related costs are recognized in the statements of comprehensive income as incurred.

At the acquisition date, irrespective of non-controlling interests, the identifiable assets acquired and liabilities and contingent liabilities assumed are recognized at their fair values; except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 — Income Taxes and IAS 19 — Employee Benefits, respectively.

Goodwill is measured as the excess of the difference between (i) the consideration transferred, the fair value of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree (if any) and (ii) the net fair value of the identifiable assets acquired and the liabilities and contingent liabilities incurred or assumed.

Non-controlling interests that represent ownership interests in the acquiree, and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are accounted for at either fair value or the non-controlling interests' proportionate share in the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

2.2.3 Goodwill

Goodwill represents the excess of the cost of an acquisition less the fair value of the Group's share of the net identifiable assets of acquired subsidiaries and associates at the date of acquisition. Goodwill on acquisitions of subsidiaries is presented separately in the consolidated statement of financial position. Goodwill on acquisition of associates is included in investment in associates.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ("CGU") or groups of CGUs that is expected to benefit from the synergies of the business combination.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the CGU, which is the higher of fair value less costs to sell and value in use, is less than its carrying amount, the deficit, reflecting an impairment loss, is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis, based on the carrying amount of each asset in the CGU. Any goodwill impairment loss is recognized directly in the consolidated income statement. An impairment loss recognized for goodwill is not reversed in subsequent periods.

2.3 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but does not constitute control or joint control over those policy decisions.

The post-acquisition profit or loss of an associate is incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of loss of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss. Additional loss is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

At the end of each reporting period, the Group considers whether there are circumstances that indicate the possibility of impairment of the Group's investment in an associate; when that is the case, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 — Impairment of Assets, as a single asset by comparing its recoverable amount (the higher of fair value less costs to sell and value in use) with its carrying amount, any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of an impairment loss is recognized, to the extent that the recoverable amount of the investment subsequently increases.

When an entity in the Group transacts with the Group's associate, profits and losses resulting from the transaction are recognized in the Group's consolidated financial statements only to the extent of the interest in the associate that are not related to the Group. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.4 Foreign currency translation

The functional currency of the Group is Chinese RMB ("RMB"). The presentation currency of the Group and the Bank is RMB.

In preparing the financial statements of each individual Group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in the consolidated statements of comprehensive income in the period in which they arise.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in the consolidated statements of comprehensive income for the period except for exchange differences arising on the

retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which cases, the exchange differences are also recognized directly in other comprehensive income.

2.5 Interest income and expense

Interest income and expenses of financial instruments are calculated using the effective interest method and included in the current profit and loss.

The Group uses the effective interest method to calculate the interest income and expenses of financial assets and liabilities measured at amortized cost, presented as “interest income” and interest expenses” respectively. For specific accounting policies, please refer to the Note 2.12 Subsequent measurement of financial instruments for related accounting policies.

2.6 Fee and commission income

Fee and commission income is recognized when the Group fulfills its performance obligation, either over time or at a point in time when a customer obtains control of the service. For the performance obligations satisfied at a point in time, the Group recognizes revenue when control is passed to the customer at a certain point in time, including insurance agency fee, merchant acquiring service fee, settlement & clearing services and bond underwriting fee, etc. For the performance obligations satisfied over time, the Group recognizes revenue according to the progress toward satisfaction of the obligation over the time, including consultancy and advisory fee and custodial fee, etc.

2.7 Dividend income

Dividend is recognized in profit or loss only when the Group's right to receive payment of the dividends is established.

2.8 Government grants

Government grants are recognized when there is reasonable assurance that the grants will be received and that the Group will comply with the conditions attaching to the grants. Government grants are measured at the amount received or will be received when recognized as monetary assets. Government grants are measured at fair value when recognized as non-monetary assets.

2.9 Employee benefits

Employee benefits are all forms of consideration given and other relevant expenditure incurred by the Group in exchange for services rendered by employees or for termination of the employment contracts. These benefits include short-term employee benefits, post-employment benefits and early retirement benefits.

Short-term employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the short-term employee benefits payable for those services as a liability with a corresponding increase in the expenses in the

consolidated income statement. Short-term employee benefits include salaries, bonuses, allowance and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds as well as labor union fees and staff education expenses.

Post-employment benefits

The Group's post-employment benefits are primarily the payments for basic pensions and unemployment insurance related to government mandated social welfare programs, as well as the annuity scheme established. All these post-employment benefits are defined contribution plans, under which, the Group makes fixed contributions into a separate fund and will have no legal or constructive obligation to make further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee services in the current and prior periods.

Contributions to the basic pensions and unemployment insurance plan are recognized in the consolidated statements of comprehensive income for the period in which the related payment obligation is incurred.

The employees of the Bank participate in an annuity scheme established by the Bank (the "Annuity Scheme"). The Bank pays annuity contributions with reference to employees' salaries, and such contributions are expensed in the consolidated statements of comprehensive income when incurred. The Bank has no further obligation if the Annuity Scheme does not have sufficient assets for the payment of any retirement benefits to employees funded by the Annuity Scheme.

2.10 Taxation

Current and deferred income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are not recognized for temporary difference related to goodwill or the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that the temporary difference will not reverse in the foreseeable future or it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognized in the consolidated income statement, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Value-added tax ("VAT")

The Group's interest income, fee and commission income, trading gain on financial products and insurance premium income are presented net of their respective VAT in the consolidated financial statements.

2.11 Precious metals

Precious metal refers to gold. Precious metals that are not related to the Group's trading activities are initially measured at acquisition cost and subsequently measured at the lower of cost and net realizable value. Precious metals that are related to the Group's trading activities are initially recognized at fair value, with changes in fair value arising from re-measurement recognized directly in the consolidated statements of comprehensive income in the period in which they arise.

2.12 Financial instruments

2.12.1 Initial recognition, classification and measurement of financial instruments

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss.

(1) *Financial assets*

Financial assets are classified in the following measurement categories based on the Group's business model for managing the asset and the cash flow characteristics of the assets:

- (i) AC;
- (ii) FVOCI; or
- (iii) FVTPL

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest ("SPPI"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

The classification requirements for debt instruments and equity instruments are described as below:

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds. Classification and measurement of debt instruments depend on the Group's business models for managing the asset and the cash flow characteristics of asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- (i) AC: Assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at amortized cost.

- (ii) FVOCI: Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI.
- (iii) FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL.

The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases.

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

The Group subsequently measures all equity instruments at FVTPL, except where the Group's management has elected, at initial recognition, to irrevocably designate an equity instrument at FVOCI.

(2) *Financial liabilities*

The Group's financial liabilities are classified into financial liabilities at FVTPL and other financial liabilities carried at amortized cost on initial recognition. Financial liabilities at FVTPL is applied to derivatives and financial liabilities held for trading.

Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognized for the consideration received for the transfer. In subsequent periods, the Group recognizes any expenses incurred on the financial liability.

2.12.2 Reclassification of financial assets

When the Group changes the business model for managing its financial assets, it shall reclassify all affected financial assets, and apply the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest. Reclassification date is the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets.

2.12.3 Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on major exchanges.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For financial instruments not traded in active markets, fair value is determined using appropriate valuation techniques. Valuation techniques include the use of recent transaction prices, discounted cash flow analysis, option pricing models and others commonly used by market participants. These valuation techniques include the use of observable and/or unobservable inputs.

2.12.4 Subsequent measurement of financial instruments

Subsequent measurement of financial instruments depends on their classification:

(1) *Amortized cost*

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition: (i) minus the principal repayments; (ii) plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount; (iii) for financial assets, adjusted for any loss allowance.

Interest income and interest expenses from these financial assets is included in "Interest income" and "interest expenses" using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before any impairment allowance) or to the amortized cost of a financial liability. The calculation does not consider ECL and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate. For purchased or originated credit-impaired ("POCI") financial assets, the Group calculates the credit-adjusted effective interest rate, which is calculated based on the amortized cost of the financial asset instead of its gross carrying amount and incorporates the impact of expected credit losses in estimated future cash flows.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets and is included in "Interest income", except for:

- (i) POCI financial assets, whose interest income is calculated, since initial recognition, by applying the credit-adjusted effective interest rate to their amortized cost; and
- (ii) financial assets that are not POCI but have subsequently become credit-impaired, whose interest income is calculated by applying the effective interest rate to their amortized cost (i.e. net of the expected credit loss provision). If, in a subsequent period, the financial assets improve their qualities so that they are no longer credit-impaired and the improvement in credit quality is related objectively to a certain event occurring after the application of the above-mentioned rules, then the interest income is calculated by applying the effective interest rate to their gross carrying amount.

(2) *Fair value through other comprehensive income*

Debt instruments

Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortized cost which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest rate method.

Equity instruments

The equity instrument investments that are not held for trading are designated as FVOCI. When this election is used, fair value gains and losses are recognized in OCI and are not subsequently reclassified to profit or loss, including on disposal. Dividends, when representing a return on such investments, continue to be recognized in profit or loss as investment income when the Group's right to receive payments is established.

(3) *Financial assets at fair value through profit or loss*

Debt instruments

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognized in profit or loss and presented in the profit or loss statement within "Net trading (losses)/gains" in the period in which it arises, unless it arises from Debt instruments that were designated at fair value or which are not held for trading, in which case they are presented separated in "Net (losses)/gains on financial investments".

(4) *Financial liabilities at fair value through profit or loss*

Financial liabilities at FVTPL are measured at fair value with all gains or losses recognized in the profit or loss.

2.12.5 Impairment of financial instruments

The Group assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortized cost and FVOCI and exposures arising from some loan commitments and financial guarantee contracts.

ECL refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows discounted by the original effective interest rate that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, i.e., the present value of all cash shortfalls (among them, for the purchased or originated credit-impaired financial assets, discount shall be based on the credit-adjusted effective interest rate of the financial assets).

The Group measures ECL of a financial instrument in a way that reflects:

- (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

- (ii) the time value of money;
- (iii) reasonable and supportable information that is available without undue cost or effort at the balance sheet date about past events, current conditions and forecasts of future economic conditions.

The description of inputs, assumptions and estimation techniques used in measuring the ECL is presented in Note 42.1.

The Group applies the impairment requirements for the recognition and measurement of a loss allowance for debt instruments that are measured at FVOCI. The loss allowance is recognized in other comprehensive income and the impairment loss is recognized in profit or loss, and it should not reduce the carrying amount of the financial asset in the statement of financial position.

If the Group has measured the loss allowance for a financial instrument other than POCI at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on the financial instruments has increased significantly since initial recognition is no longer met, the Group measures the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date and the amount of expected credit losses reversal is recognized in profit or loss. For POCI financial assets, at the reporting date, the Group only recognizes the cumulative changes in lifetime expected credit losses since initial recognition.

2.12.6 Modification of loans

The Group will renegotiate or modify customer loan contracts due to certain special circumstances at times, which will in turn lead to changes in contract cash flows. In such cases, the Group will assess if there is a substantial change in the modified contractual terms. In making the assessment, factors need to be considered include:

- Where a modification of contract occurs when the borrower is suffering from financial difficulties, whether the modification only reduces the contract cash flows to the amount that is expected to be repaid by the borrower;
- If there's any newly added substantial term, for example, a term in regard to right to profits/equity returns is newly added, resulting in a substantial change in the risk characteristics of the contract;
- The loan term is significantly extended in the absence of financial difficulties for the borrower;
- Material change happens to the loan interest rate;
- Change happens to the loan currency;
- New collateral and other credit enhancements dramatically change the level of loan credit risk.

If the terms are substantially different, the Group derecognizes the original financial asset and recognizes a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is

consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognized in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets).

2.12.7 Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and, where applicable, the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in the consolidated income statement.

Financial liabilities are derecognized when the related obligation is discharged, is canceled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in the consolidated income statement.

2.12.8 Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when both of the following conditions are satisfied: (i) The Group has the legal right to offset the recognized amount, and the legal right is enforceable; (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously. The right of offset shall not depend on future events. In ordinary course of business between the Group and all the counterparties, or when breach of contract, insolvency or bankruptcy occurs, the Group has the right to execute such legal right.

2.12.9 Repurchase agreements and resale agreement

Financial assets transferred as collateral in connection with repurchase agreements, involving fixed repurchase dates and prices, are not derecognized. They continue to be recorded as investments classified as financial

investments at amortized cost or financial investments at fair value through other comprehensive income as appropriate. The corresponding liability is included in financial assets sold under repurchase agreements. The items which are not derecognized are presented in Note 39 — Contingent liabilities and commitments — Collateral.

Consideration paid for financial assets held under agreements to resell are recorded as Financial assets held under resale agreements, the related collateral accepted is not recognized in the consolidated financial statements (Note 39 — Contingent liabilities and commitments — Collateral).

The difference between the purchase and sale price is recognized as interest expense or income in the consolidated statements of comprehensive income over the term of the agreements using the effective interest method.

2.12.10 Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized at fair value on the date the guarantee was given. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortization of guarantee fees, and the expected credit loss provision required to settle the guarantee. Any increase in the liability relating to guarantees is taken to the consolidated income statement.

The impairment allowance of loan commitments provided by the Group is measured using ECL models. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument.

For loan commitments and financial guarantee contracts, the loss allowance is recognized as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognized together with the loss allowance for the loan. To the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognized as a provision.

2.13 Property and equipment

Property and equipment is asset held by the Group for the conduct of business and is expected to be used for more than one year. Construction-in-progress, an item of property, represents property under construction and is transferred to property when ready for its intended use.

(a) Cost

Property and equipment is stated at cost upon initial recognition. Costs of a purchased property and equipment comprise purchase price, related taxes, and any directly attributable expenditures for bringing the asset to

working condition for its intended use. Costs of a self-constructed property and equipment comprise construction materials, direct labor costs and those expenditures necessarily incurred for bringing the asset to working condition for its intended use.

Subsequent to initial recognition, property and equipment is stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

The Group recognizes in the carrying amount of an item of property and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in the consolidated statement of profit or loss as an expense when incurred.

(b) Depreciation

Depreciation is calculated to write off the cost, less residual value if applicable, of property and equipment and is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives and depreciation rate (amortization rate) are as follows:

Category of assets	Estimated useful lives	Depreciation rates
Buildings	20 years	5.00%
Motor vehicles	4 years	25.00%
Machinery and equipment	10 years	10.00%
Electronic equipment	3 years	33.33%
Other equipment	5 years	20.00%
Decoration and renovation	5 years	20.00%

The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

(c) Disposal and retirement

Gains or losses arising from the disposal or retirement of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit or loss on the date of disposal or retirement.

(d) Construction in progress

Properties in the course of construction for supply of services or administrative purposes are carried at cost, as construction in progress, less any impairment loss. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

2.14 Intangible assets

Intangible assets are initially recognized at cost. The cost less estimated net residual values (if any) of the intangible assets is amortized on a straight-line basis over their useful lives, and charged to profit or loss. Impaired intangible assets are amortized net of accumulated impairment losses. The useful lives of the Group's intangible assets are 3 years. The amortization rate of the Group's intangible assets is 33%. The residual value and useful lives of assets are reviewed, and adjusted if appropriate, as of each reporting date.

Intangible assets which are not yet available for use should be estimated at least at each financial year-end, even if there was no indication that the assets were impaired.

2.15 Investment properties

Investment property is property held to earn rental income or for capital appreciation, or both.

Investment properties are initially measured at cost, including costs that are directly attributable to the properties at the time of acquisition. The Bank adopts the cost model for subsequent measurement of investment properties. The type of assets, estimated useful lives and depreciation rate (amortization rate) are as follows:

Category of assets	Estimated useful lives	Depreciation rates
Buildings	20 years	5.00%
Land use rights	20/50 years	5.00%/2.00%

As at the balance sheet date, the Group reviews investment properties item by item. If the carrying amount of an asset is higher than the estimated recoverable amount, the carrying amount is reduced to its recoverable amount. The recoverable amount is recognized at the higher of the fair value less cost of sales and value in use.

2.16 Foreclosed assets

Foreclosed assets are initially recognized at fair value and subsequently measured at the lower of their carrying amount and fair value, less costs to sell, at the end of each reporting period. When the fair value, less costs to sell, is lower than a foreclosed asset's carrying amount, an impairment loss is recognized in the consolidated income statement.

Any gain or loss arising on the disposal of the foreclosed asset is included in the consolidated statements of comprehensive income in the period in which the item is disposed.

The Group disposes of foreclosed assets through various means. In principle, foreclosed assets should not be transferred for own use, but, in the event that they are needed for the Group's own business or management purposes, they are transferred at their net carrying amounts and managed as newly acquired property and equipment.

2.17 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such

indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized in the consolidated income statement.

2.18 Dividend distribution

Dividend distribution to the Bank's equity holders is recognized as a liability in the Group's and the Bank's financial statements in the period in which the dividends are approved by the equity holders in the annual general meeting of the Bank.

2.19 Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

2.20 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognized, but disclosed, unless the possibility of an outflow of resources embodying economic benefits is probable.

2.21 Cash and cash equivalents

Cash and cash equivalents are short-term and highly liquid assets, which are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value. Cash and cash equivalents include cash and assets with original maturity of three months or less under cash and balances with central banks, deposits with banks and other financial institutions, placements with and loans to banks and other financial institutions and financial assets held under resale agreements.

2.22 Lease

Lease refers to the contract that the lessor transfers the rights of use to the lessee in a certain period of time.

As a lessee

At the commencement date, the Group shall recognize the right-of-use asset and the lease liability at the present value of the lease payments that are not paid at that date. Lease payments include fixed payments and proceeds paid when the lessee is reasonably certain to exercise the option to purchase or termination options. Variable rent calculated at a certain proportion of the sales amount is not included in the lease payments and is recognized in profit or loss for the current period when it is incurred.

The Group's right-of-use assets include buildings held under lease. Right-of-use assets are initially measured at cost, which includes the initial measurement of lease liabilities, lease payments paid at or before the commencement date, initial direct cost, etc., less the any lease incentives. When the Group can reasonably determine that the ownership of a leased asset will be transferred at the end of the lease term, it is depreciated over its estimated useful life; otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life. The carrying amounts of property and equipment are reduced to the recoverable amounts when the recoverable amounts are below the carrying amounts of the right-of-use asset.

For a short-term lease that has a lease term of 12 months or less, the Group select not to recognize right-of-use assets and lease liabilities and the relevant rental expenses are recognized in profit or loss for the current period or relevant cost of assets on a straight-line basis over each period of the lease.

As a lessor

The Group leases out self-owned buildings, machinery and equipment and motor vehicles, the rental income from an operating lease is recognized on a straight-line basis over the period of the lease. Variable rent calculated at a certain proportion of the sales amount is recognized in rental income when it is incurred.

2.23 Land use rights

The Group recognizes land use rights as right-of-use assets. Land use rights are initially measured at cost and amortized on a straight-line basis over their statutory useful lives. The cost of land use rights is amortized on a straight-line basis over the granted using period and is recognized in profit or loss for the current period. For land use rights, when charging the depreciation, the accumulated amount of provision for impairment losses will be deducted.

2.24 Fiduciary activities

The Group acts as a custodian, trustee and in other fiduciary capacities to safeguard assets for customers in accordance with custody agreements between the Group and securities investment funds, social security funds, insurance companies, trust companies, qualified foreign institutional investors, annuity schemes and other institutions and individuals. The Group receives fees in return for its services provided under the custody agreements and does not have any interest in the economic risks and rewards related to assets under custody. Therefore, assets under custody are not recognized in the Group's consolidated statement of financial position.

The Group conducts entrusted lending arrangements for its customers. Under the terms of entrusted loan arrangements, the Group grants loans to borrowers, as an intermediary, according to the instruction of its

customers who are the lenders providing funds for the entrusted loans. The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the economic risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

2.25 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party in making financial and operating decisions, they are regarded as related parties. Two or more parties are also regarded as related parties if they are subject to control or joint control from the same party.

2.26 Operation segments

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision-maker for the purposes of allocating resources and assessing performance. The Group considers the business from different perspectives including products and services and geographic areas. The operating segments that meet the specified criteria have been aggregated, and the operating segments that meet quantitative thresholds have been reported separately.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

3 Critical accounting estimates and judgement

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

The estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(1) Measurement of expected credit loss

The measurement of the expected credit loss allowance for financial assets measured at amortized cost and FVOCI and for exposures arising from some loan commitments and financial guarantee contracts, is an area that

requires the use of complex models and significant assumptions about future economic conditions and credit behavior (the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in Note 42.1 Credit risk.

It requires a lot of significant judgments to measure ECL under relevant accounting standards, such as:

- Segmentation of business operations sharing similar credit risk characteristics, selection of appropriate models and determination of relevant key parameters;
- Criteria for determining a significant increase in credit risk, default and credit impairments;
- The use of economic scenario, economic indicator and weight for forward-looking measurement;
- The management's accumulated adjustment for significant uncertainties that are not included in the model; and
- Future cash flows forecast on corporate loans and debt investments at stage 3.

Detailed information on the above judgments and estimates is set out in Note 42.1.

(2) Goodwill impairment

Goodwill impairment reviews are undertaken annually or more frequently, and it is also needed if events or changes indicate a potential impairment. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating unit (the "CGU"). The Group forecasts future cash flow of the CGU, and applies appropriate discount rate for the calculation of the present value of future cash flow.

(3) Fair value of financial instruments

The Group uses valuation techniques to estimate the fair value of financial instruments which are not quoted in an active market. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models. To the extent practical, market observable inputs and data, such as interest rate yield curves, are used when estimating fair value through a valuation technique. Where market observable inputs are not available, they are estimated using assumptions that are calibrated as closely as possible to market observable data. However, areas such as the credit risk of the Group and the counterparty, liquidity, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

(4) Taxes

There are certain transactions and activities in the ordinary course of the Group's business for which the ultimate tax effect is uncertain. The Group made certain estimation and judgement for items of uncertainty in the application of tax legislations, taking into account existing tax legislation and past practice of tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, based on management's assessment, such differences will affect the current income tax and deferred income tax during the period in which such a determination is made.

(5) Consolidation of structured entities

Where the Group acts as asset manager of or investor in structured entities, the Group makes significant judgment on whether the Group controls and should consolidate these structured entities. When performing this assessment, the Group assesses the Group's contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities, performs analysis and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned as the asset manager, the retention of residual income, and, if any, the liquidity and other support provided to the structured entities. The Group also assesses whether it acts as a principal or an agent through analysis of the scope of its decision-making authority over the structured entities, the remuneration to which it is entitled for asset management services, the Group's exposure to variability of returns from its other interests in the structured entities, and the rights held by other parties in the structured entities.

4 Net interest income

	Years ended December 31,			Three months ended	
	2018	2019	2020	March 31, 2020	2021
				(Unaudited)	
Interest income					
Balances with central banks	558,836	462,626	431,142	113,283	117,858
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	433,964	484,313	377,334	104,440	79,531
Loans and advances to customers	8,598,429	10,149,553	12,728,284	3,028,549	3,510,891
Financial investments	6,523,443	6,256,619	5,980,844	1,511,360	1,596,023
Sub-total	<u>16,114,672</u>	<u>17,353,111</u>	<u>19,517,604</u>	<u>4,757,632</u>	<u>5,304,303</u>
Interest expense					
Borrowings from central banks	(9,953)	(40,509)	(322,477)	(26,584)	(222,579)
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	(2,314,378)	(1,470,218)	(1,002,156)	(264,434)	(288,094)
Deposits from customers	(4,457,754)	(5,125,404)	(6,465,231)	(1,428,064)	(1,797,787)
Debt securities issued	(1,990,457)	(1,891,196)	(1,778,187)	(506,837)	(411,126)
Lease liabilities	(21,734)	(24,497)	(17,174)	(4,504)	(4,369)
Sub-total	<u>(8,794,276)</u>	<u>(8,551,824)</u>	<u>(9,585,225)</u>	<u>(2,230,423)</u>	<u>(2,723,955)</u>
Net interest income	<u>7,320,396</u>	<u>8,801,287</u>	<u>9,932,379</u>	<u>2,527,209</u>	<u>2,580,348</u>

5 Net fee and commission income

	Years ended December 31,			Three months ended	
				March 31,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Fee and commission income					
Bank cards ^(a)	477,915	447,802	350,439	104,990	75,856
Wealth management agency services	311,576	459,306	328,722	55,031	65,915
Custodian and other fiduciary	189,187	184,211	187,656	31,876	57,748
Settlement and clearing services	39,450	44,605	56,608	5,304	7,793
Others	34,596	48,136	71,650	9,945	18,804
Sub-total	<u>1,052,724</u>	<u>1,184,060</u>	<u>995,075</u>	<u>207,146</u>	<u>226,116</u>
Fee and commission expense^(a)	<u>(101,160)</u>	<u>(129,287)</u>	<u>(54,696)</u>	<u>(14,873)</u>	<u>(32,699)</u>
Net fee and commission income	<u>951,564</u>	<u>1,054,773</u>	<u>940,379</u>	<u>192,273</u>	<u>193,417</u>

(a) In accordance with the requirements pursuant to the Notice on "Strict Implementation of Accounting Standards for Enterprises and Effective Enhancement of 2020 Annual Reports Compilation" issued by the Ministry of Finance ("MOF"), State-owned Assets Supervision and Administration Commission of the State Council, the CBIRC and the China Securities Regulatory Commission (the "CSRC") on January 27, 2021, the Group recognized income and expenses from relevant credit business as interest income consistently for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and March 31, 2021.

6 Net trading gains

	Years ended December 31,			Three months ended	
				March 31,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Net gains on financial assets held for trading	1,158,540	1,045,680	779,059	333,861	265,194
Exchange gains	64,080	86,726	104,490	26,532	42,571
Gains/(losses) on precious metal, net	389	867	(2,267)	869	452
Total	<u>1,223,009</u>	<u>1,133,273</u>	<u>881,282</u>	<u>361,262</u>	<u>308,217</u>

7 Net gains on financial investments

	<u>Years ended December 31,</u>			<u>Three months ended</u>	
				<u>March 31,</u>	
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2021</u>
					(Unaudited)
Net (losses)/gains on debt instrument investments at fair value through other comprehensive income	(136,261)	278,080	384,266	29,508	55,380
Net gains/(losses) on other financial assets at fair value through profit or loss	185,099	141,322	(239,737)	28,092	280
Net (losses)/gains on derecognition of financial assets measured at amortized cost	(2)	(2)	3,057	—	4
Dividend income from equity instruments	<u>33,182</u>	<u>43,474</u>	<u>34,317</u>	<u>—</u>	<u>1,800</u>
Total	<u>82,018</u>	<u>462,874</u>	<u>181,903</u>	<u>57,600</u>	<u>57,464</u>

8 Other operating Income

	<u>Years ended December 31,</u>			<u>Three months ended</u>	
				<u>March 31,</u>	
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2021</u>
					(Unaudited)
Gains on disposal of property, equipment and other long term assets	148,079	296,420	73,453	25,929	5,212
Rental income	31,633	33,884	24,381	4,044	6,883
Government grants ^(a)	16,488	9,068	1,800	1,211	2,686
Others	<u>4,400</u>	<u>3,648</u>	<u>11,470</u>	<u>3,532</u>	<u>1,769</u>
Total	<u>200,600</u>	<u>343,020</u>	<u>111,104</u>	<u>34,716</u>	<u>16,550</u>

(a) Government grants comprise targeted subsidies from the MOF and Municipal Governments aiming to enhance local economic growth and encourage the establishment of rural banks.

9 Operating expenses

	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Staff costs (including emoluments of directors and supervisors) (Note 10)	2,043,495	2,402,212	2,718,786	720,449	600,171
Taxes and surcharges	118,002	134,263	128,287	29,048	28,085
General and administrative expenses	518,224	615,528	696,320	147,203	139,994
Depreciation and amortization	355,164	320,228	351,126	108,908	124,595
Auditors' remuneration	2,742	3,611	3,719	194	751
— Audit service	1,693	2,576	2,842	—	—
— Non-audit service	1,049	1,035	877	194	751
Others	11,702	59,915	26,648	2,463	5,387
Total	3,049,329	3,535,757	3,924,886	1,008,265	898,983

10 Staff costs (including emoluments of directors and supervisors)

	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Salaries, bonuses, allowances and subsidies	1,520,545	1,752,997	2,005,105	560,665	443,616
Pension and other social benefits	342,088	434,223	475,702	104,658	123,700
Enterprise annuity scheme	115,444	139,040	152,383	35,228	23,951
Others	65,418	75,952	85,596	19,898	8,904
Total	2,043,495	2,402,212	2,718,786	720,449	600,171

11 Emoluments of directors, supervisors and the highest-paid staff

(a) Emoluments of directors and supervisors are as follows:

Name	Year ended December 31, 2018					Total
	Fees	Salaries	Discretionary bonuses	Subsidies and physical benefits	Pension plan contributions	
Chairman						
Wang Yaoqiu	—	1,189	3,445	75	80	4,789
Executive directors						
Ye Yunfei	—	689	2,141	75	80	2,985
Non-executive directors						
Lai Chun Tung	230	—	—	—	—	230
Wang Junyang	230	—	—	—	—	230
Cai Guowei	230	—	—	—	—	230
Ye Jinqun ⁽¹⁾	115	—	—	—	—	115
Chen Xipei ⁽¹⁴⁾	230	—	—	—	—	230
Liang Peiguang ⁽¹⁴⁾	230	—	—	—	—	230
Chen Haitao	230	—	—	—	—	230
Independent directors						
He Jingqing ⁽¹⁴⁾	230	—	—	—	—	230
Liang Zhirui ⁽¹⁴⁾	230	—	—	—	—	230
Luo Hansheng ⁽¹⁴⁾	230	—	—	—	—	230
Huang Xiaojuan ⁽¹⁴⁾	230	—	—	—	—	230
Liang Yuxiong ⁽¹⁴⁾	230	—	—	—	—	230
Supervisors						
Chen Sheng ⁽³⁾	—	168	394	33	34	629
Cen Yongkang ⁽¹⁶⁾	—	453	1,151	74	80	1,758
Chen Liangzhuo ⁽¹⁶⁾	—	433	1,115	73	80	1,701
Mo Dongyi ⁽²⁾	—	435	928	71	75	1,509
Lu Chaoping	230	—	—	—	—	230
Zhou Qingzong ⁽¹⁶⁾	230	—	—	—	—	230
Zhang Xueqin ⁽¹⁵⁾	230	—	—	—	—	230
Chen Wenjie ⁽¹⁶⁾	230	—	—	—	—	230
Liu Jianfeng ⁽¹⁶⁾	230	—	—	—	—	230
Executive directors who resigned						
Liu Xiaodong ⁽⁴⁾	—	959	2,805	56	60	3,880
Xiao Guang ⁽⁵⁾	—	1,074	3,141	75	80	4,370
Supervisors who resigned						
Zhong Guobo ⁽⁶⁾	—	565	2,043	76	80	2,764
Chen Ruiqiang ⁽⁷⁾	—	731	2,159	59	63	3,012
Total	3,795	6,696	19,322	667	712	31,192

Name	Year ended December 31, 2019					Total
	Fees	Salaries	Discretionary bonuses	Subsidies and physical benefits	Pension plan contributions	
Chairman						
Wang Yaoqiu	—	2,248	2,477	81	83	4,889
Executive directors						
Fu Qiang ⁽⁹⁾	—	1,479	1,983	81	83	3,626
Ye Jianguang ⁽⁸⁾	—	1,855	2,303	82	83	4,323
Chen Wei ⁽¹⁰⁾	—	1,855	2,089	81	83	4,108
Ye Yunfei	—	1,397	1,359	81	83	2,920
Non-executive directors						
Lai Chun Tung	230	—	—	—	—	230
Wang Junyang	230	—	—	—	—	230
Cai Guowei	230	—	—	—	—	230
Ye Jinqun ⁽¹⁾	230	—	—	—	—	230
Chen Haitao	230	—	—	—	—	230
Zhang Qingxiang ⁽¹¹⁾	19	—	—	—	—	19
Chen Weiliang ⁽¹¹⁾	19	—	—	—	—	19
Independent directors						
Yip Tai Him ⁽¹²⁾	173	—	—	—	—	173
Xu Zhi ⁽¹¹⁾	19	—	—	—	—	19
Shi Wenfeng ⁽¹¹⁾	19	—	—	—	—	19
Tan Fulong ⁽¹¹⁾	19	—	—	—	—	19
Liu Yuou ⁽¹¹⁾	19	—	—	—	—	19
Xu Tingting ⁽¹¹⁾	19	—	—	—	—	19
Supervisors						
Chen Sheng ⁽³⁾	—	1,429	1,774	81	83	3,367
Deng Yanwen ⁽¹³⁾	—	957	1,270	81	83	2,391
Wu Lixin ⁽¹³⁾	—	607	1,066	75	83	1,831
Liang Zhifeng ⁽¹³⁾	—	440	355	59	70	924
Lu Chaoping	230	—	—	—	—	230
Wang Zhujin ⁽¹¹⁾	48	—	—	—	—	48
Liang Jiepeng ⁽¹¹⁾	48	—	—	—	—	48
Zou Zhibiao ⁽¹¹⁾	48	—	—	—	—	48
Wei Haiying ⁽¹¹⁾	48	—	—	—	—	48
Yang Biao ⁽¹¹⁾	48	—	—	—	—	48
Zhang Bangyong ⁽¹¹⁾	48	—	—	—	—	48
Mai Xiuhua ⁽¹¹⁾	48	—	—	—	—	48
Non-executive directors who resigned						
Chen Xipei ⁽¹⁴⁾	192	—	—	—	—	192
Liang Peiguang ⁽¹⁴⁾	192	—	—	—	—	192

Name	Year ended December 31, 2019					Total
	Fees	Salaries	Discretionary bonuses	Subsidies and physical benefits	Pension plan contributions	
Independent directors who resigned						
He Jingqing ⁽¹⁴⁾	183	—	—	—	—	183
Liang Zhirui ⁽¹⁴⁾	192	—	—	—	—	192
Luo Hansheng ⁽¹⁴⁾	192	—	—	—	—	192
Huang Xiaojuan ⁽¹⁴⁾	192	—	—	—	—	192
Liang Yuxiong ⁽¹⁴⁾	192	—	—	—	—	192
Supervisors who resigned						
Cen Yongkang ⁽¹⁶⁾	—	694	932	78	83	1,787
Chen Liangzhuo ⁽¹⁶⁾	—	989	1,277	79	83	2,428
Mo Dongyi ⁽²⁾	—	985	1,354	80	80	2,499
Zhou Qingzong ⁽¹⁶⁾	192	—	—	—	—	192
Zhang Xueqin ⁽¹⁵⁾	173	—	—	—	—	173
Chen Wenjie ⁽¹⁶⁾	192	—	—	—	—	192
Liu Jianfeng ⁽¹⁶⁾	192	—	—	—	—	192
Total	4,106	14,935	18,239	939	980	39,199

Name	Year ended December 31, 2020					Total
	Fees	Salaries	Discretionary bonuses	Subsidies and physical benefits	Pension plan contributions	
Chairman						
Wang Yaoqiu	—	1,383	2,891	55	82	4,411
Executive directors						
Fu Qiang ⁽⁹⁾	—	1,383	2,897	55	82	4,417
Ye Jianguang ⁽⁸⁾	—	1,135	2,166	56	82	3,439
Chen Wei ⁽¹⁰⁾	—	1,135	2,166	55	82	3,438
Ye Yunfei	—	862	1,654	55	82	2,653
Non-executive directors						
Lai Chun Tung	230	—	—	—	—	230
Wang Junyang	230	—	—	—	—	230
Cai Guowei	230	—	—	—	—	230
Ye Jinqun ⁽¹⁾	230	—	—	—	—	230
Chen Haitao	230	—	—	—	—	230
Zhang Qingxiang ⁽¹¹⁾	230	—	—	—	—	230
Chen Weiliang ⁽¹¹⁾	230	—	—	—	—	230
Independent directors						
Yip Tai Him ⁽¹²⁾	230	—	—	—	—	230
Xu Zhi ⁽¹¹⁾	230	—	—	—	—	230
Shi Wenfeng ⁽¹¹⁾	230	—	—	—	—	230
Tan Fulong ⁽¹¹⁾	230	—	—	—	—	230
Liu Yuou ⁽¹¹⁾	230	—	—	—	—	230
Xu Tingting ⁽¹¹⁾	230	—	—	—	—	230
Supervisors						
Chen Sheng ⁽³⁾	—	1,135	2,166	55	82	3,438
Deng Yanwen ⁽¹³⁾	—	668	1,816	54	82	2,620
Wu Lixin ⁽¹³⁾	—	508	1,347	53	82	1,990
Liang Zhifeng ⁽¹³⁾	—	536	1,338	53	82	2,009
Lu Chaoping	230	—	—	—	—	230
Wang Zhujin ⁽¹¹⁾	230	—	—	—	—	230
Liang Jiepeng ⁽¹¹⁾	230	—	—	—	—	230
Zou Zhibiao ⁽¹¹⁾	230	—	—	—	—	230
Wei Haiying ⁽¹¹⁾	230	—	—	—	—	230
Yang Biao ⁽¹¹⁾	230	—	—	—	—	230
Zhang Bangyong ⁽¹¹⁾	230	—	—	—	—	230
Mai Xiuhua ⁽¹¹⁾	230	—	—	—	—	230
Total	4,830	8,745	18,441	491	738	33,245

Three months ended March 31, 2020 (Unaudited)						
Name	Fees	Salaries	Subsidies and			Total
			Discretionary bonuses	physical benefits	Pension plan contributions	
Chairman						
Wang Yaoqiu	—	346	1,025	18	21	1,410
Executive directors						
Fu Qiang ⁽⁹⁾	—	331	1,030	18	21	1,400
Ye Jianguang ⁽⁸⁾	—	281	845	18	21	1,165
Chen Wei ⁽¹⁰⁾	—	281	845	18	21	1,165
Ye Yunfei	—	201	644	18	21	884
Non-executive directors						
Lai Chun Tung	58	—	—	—	—	58
Wang Junyang	58	—	—	—	—	58
Cai Guowei	58	—	—	—	—	58
Ye Jinqun ⁽¹⁾	58	—	—	—	—	58
Chen Haitao	58	—	—	—	—	58
Zhang Qingxiang ⁽¹¹⁾	58	—	—	—	—	58
Chen Weiliang ⁽¹¹⁾	58	—	—	—	—	58
Independent directors						
Yip Tai Him ⁽¹²⁾	58	—	—	—	—	58
Xu Zhi ⁽¹¹⁾	58	—	—	—	—	58
Shi Wenfeng ⁽¹¹⁾	58	—	—	—	—	58
Tan Fulong ⁽¹¹⁾	58	—	—	—	—	58
Liu Yuou ⁽¹¹⁾	58	—	—	—	—	58
Xu Tingting ⁽¹¹⁾	58	—	—	—	—	58
Supervisors						
Chen Sheng ⁽³⁾	—	281	845	18	21	1,165
Deng Yanwen ⁽¹³⁾	—	167	1,322	18	21	1,528
Wu Lixin ⁽¹³⁾	—	128	934	16	21	1,099
Liang Zhifeng ⁽¹³⁾	—	134	958	16	21	1,129
Lu Chaoping	58	—	—	—	—	58
Wang Zhujin ⁽¹¹⁾	58	—	—	—	—	58
Liang Jiepeng ⁽¹¹⁾	58	—	—	—	—	58
Zou Zhibiao ⁽¹¹⁾	58	—	—	—	—	58
Wei Haiying ⁽¹¹⁾	58	—	—	—	—	58
Yang Biao ⁽¹¹⁾	58	—	—	—	—	58
Zhang Bangyong ⁽¹¹⁾	58	—	—	—	—	58
Mai Xiuhua ⁽¹¹⁾	58	—	—	—	—	58
Total	1,218	2,150	8,448	158	189	12,163

Name	Three months ended March 31, 2021					Total
	Fees	Salaries	Discretionary bonuses	Subsidies and physical benefits	Pension plan contributions	
Chairman						
Wang Yaoqiu	—	347	1,095	21	23	1,486
Executive directors						
Fu Qiang ⁽⁹⁾	—	347	1,095	21	23	1,486
Ye Jianguang ⁽⁸⁾	—	284	899	21	23	1,227
Chen Wei ⁽¹⁰⁾	—	284	899	21	23	1,227
Ye Yunfei	—	216	681	21	23	941
Non-executive directors						
Lai Chun Tung	58	—	—	—	—	58
Wang Junyang	58	—	—	—	—	58
Cai Guowei	58	—	—	—	—	58
Ye Jinqun ⁽¹⁾	58	—	—	—	—	58
Chen Haitao	58	—	—	—	—	58
Zhang Qingxiang ⁽¹¹⁾	58	—	—	—	—	58
Chen Weiliang ⁽¹¹⁾	58	—	—	—	—	58
Independent directors						
Yip Tai Him ⁽¹²⁾	58	—	—	—	—	58
Xu Zhi ⁽¹¹⁾	58	—	—	—	—	58
Shi Wenfeng ⁽¹¹⁾	58	—	—	—	—	58
Tan Fulong ⁽¹¹⁾	58	—	—	—	—	58
Liu Yuou ⁽¹¹⁾	58	—	—	—	—	58
Xu Tingting ⁽¹¹⁾	58	—	—	—	—	58
Supervisors						
Chen Sheng ⁽³⁾	—	284	899	21	23	1,227
Deng Yanwen ⁽¹³⁾	—	154	1,046	21	23	1,244
Wu Lixin ⁽¹³⁾	—	135	457	19	23	634
Liang Zhifeng ⁽¹³⁾	—	144	857	19	23	1,043
Lu Chaoping	58	—	—	—	—	58
Wang Zhujin ⁽¹¹⁾	58	—	—	—	—	58
Liang Jiepeng ⁽¹¹⁾	58	—	—	—	—	58
Zou Zhibiao ⁽¹¹⁾	58	—	—	—	—	58
Wei Haiying ⁽¹¹⁾	58	—	—	—	—	58
Yang Biao ⁽¹¹⁾	58	—	—	—	—	58
Zhang Bangyong ⁽¹¹⁾	58	—	—	—	—	58
Mai Xiuhua ⁽¹¹⁾	58	—	—	—	—	58
Total	1,218	2,195	7,928	185	207	11,733

(1) In the annual general meeting in 2017, Ye Jinqun was elected as director, and the qualification was approved in June 2018.

(2) Mo Dongyi served as supervisor since June 2018, and in October 2019, Mo Dongyi resigned as supervisor.

(3) Chen Sheng served as supervisor since September 2018.

- (4) In September 2018, Liu Xiaodong resigned as executive director.
- (5) In December 2018, Xiao Guang resigned as executive director.
- (6) In February 2018, Zhong Guobo resigned as supervisor.
- (7) In August 2018, Chen Ruiqiang resigned as supervisor.
- (8) In the first interim meeting of shareholders in 2018, Ye Jianguang was elected as director, and the qualification was approved in March 2019.
- (9) In the first interim meeting of shareholders in 2018, Fu Qiang was elected as director, and the qualification was approved in July 2019.
- (10) In the first interim meeting of shareholders in 2019, Chen Wei was elected as director, and the qualification was approved in December 2019.
- (11) In the first interim meeting of shareholders in 2019, Zhang Qingxiang and Chen Weiliang were elected as non-executive directors, Xu Zhi, Shi Wenfeng, Tan Fulong, Liu Yuou, and Xu Tingting were elected as independent directors, and the qualification was approved in December 2019; Wang Zhujin, Liang Jiepeng, Zou Zhibiao, Yang Biao, Mai Xiuhua, Wei Haiying and Zhang Bangyong were elected as supervisors in October 2019.
- (12) In the annual general meeting in 2017, Yip Tai Him was elected as independent director, and the qualification was approved in March 2019.
- (13) Deng Yanwen, Wu Lixin and Liang Zhifeng were elected as supervisors in October 2019.
- (14) Chen Xipei and Liang Peiguang, ceased to be non-executive directors upon the expiry of their terms in October 2019; He Jingqing, Liang Zhirui, Luo Hansheng, Huang Xiaojuan, and Liang Yuxiong ceased to be independent directors upon expiry of their terms in October 2019.
- (15) In September 2019, Zhang Xueqin resigned as supervisor.
- (16) Cen Yongkang, Chen Liangzhuo, Chen Wenjie, Liu Jianfeng and Zhou Qingzong ceased to be supervisors upon expiry of their terms in October 2019.
- (b) Five highest paid individuals:

The five highest paid individuals comprises directors, supervisor and non-director and non-supervisor as below:

	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
Directors	3	3	4	—	2
Supervisor	—	—	1	1	—
Non-director and non-supervisor ⁽ⁱ⁾	2	2	3	4	3
Total	5	5	8	5	5

- (i) For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, the emoluments of the directors who are among the five highest paid individuals are reflected in the analysis presented above. Four individuals are tied for fifth place in 2020. The emoluments payable to the remaining individuals during the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021 are as follows:

	<u>Years ended December 31,</u>			<u>Three months ended March 31,</u>	
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2021</u>
				(Unaudited)	
Salaries, subsidies and other benefits	2,029	3,862	3,570	691	504
Discretionary bonuses	5,483	4,625	6,713	5,486	3,604
Pension plan contributions	160	166	246	82	62
Total	<u>7,672</u>	<u>8,653</u>	<u>10,529</u>	<u>6,259</u>	<u>4,170</u>

The emoluments payable to the remaining individuals during the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021 fell within the following band:

	<u>Years ended December 31,</u>			<u>Three months ended March 31,</u>	
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2021</u>
				(Unaudited)	
HK\$ 1,500,001 to HK\$ 2,000,000	—	—	—	4	3
HK\$ 4,000,001 to HK\$ 4,500,000	2	—	3	—	—
HK\$ 4,500,001 to HK\$ 5,000,000	—	2	—	—	—

- (c) Other benefits and interests of directors and supervisors

For the years ended December 31, 2018, 2019 and 2020, the Group:

- paid no emoluments to any director, supervisor, senior management or any of the five highest paid individuals as its bonus for joining, or compensation for termination.
- paid no retirement benefits to any director, supervisor, senior management or any of five highest paid individuals except for enterprise Annuity Scheme and Pension Scheme (Note 2.9 Employee benefits).
- paid no consideration to any third party for related services provided to the Group by directors or supervisors;
- no director or supervisor waived any emolument;
- directors or supervisors had no direct or indirect material interest in any material transactions, arrangements or contracts in relation to the Group's business.

The loans issued by the Group to its directors, supervisors or certain controlled body corporates and connected entities of the directors or supervisors and the balances were disclosed in Note 40. The Group provided no guarantee or security for the loans of any directors, supervisors or certain controlled body corporates and connected entities of the directors or supervisors.

12 Expected credit losses and asset losses

	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Loans and advances to customers					
— Measured at amortized cost	1,063,130	786,448	295,226	286,611	114,417
— Measured at fair value through other comprehensive income	5,287	3,895	3,589	(82)	2,216
Financial investments					
— Measured at amortized cost	29,448	11,875	(5,064)	2,692	(9,352)
— Measured at fair value through other comprehensive income	593,560	1,697,742	93,894	108,486	101,350
Loan commitments and guarantee contracts	(1,031)	6,669	5,463	(1,080)	38,581
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	(6,118)	11,024	7,381	4,898	15,315
Other assets	32,802	75,890	75,666	35,695	10,026
Asset losses (Note 31(a))	—	—	2,298,180	—	—
Total	1,717,078	2,593,543	2,774,335	437,220	272,553

13 Income tax expense

	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Current income tax	685,676	1,188,475	971,354	170,998	247,409
Deferred income tax (Note 24)	(104,754)	(357,950)	(654,562)	35,467	(6,470)
Total	580,922	830,525	316,792	206,465	240,939

The actual amount of tax paid by the Group is different from the amount calculated based on the profit before tax of the Group and statutory tax rate applicable to the Group. The major adjustments are as follows:

	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Profit before tax	5,034,228	5,700,774	5,372,109	1,733,927	2,000,140
Income tax calculated at statutory tax rate of 25%	1,258,557	1,425,194	1,343,027	433,483	500,035
Tax effect of income not taxable for tax purpose ^(a)	(700,664)	(752,169)	(1,106,803)	(236,810)	(265,288)
Share of profits of associates	(5,762)	(8,712)	(6,071)	(1,588)	(3,920)
Non-deductible expenses	28,508	51,513	57,669	11,428	10,199
Derecognition of previously recognized deferred tax assets	—	114,823	—	—	—
Effect of preferential tax rate applicable to a subsidiary ^(b)	(2,129)	(124)	(178)	(48)	(87)
Adjustments for current tax of prior periods	2,412	—	29,148	—	—
Income tax expense	<u>580,922</u>	<u>830,525</u>	<u>316,792</u>	<u>206,465</u>	<u>240,939</u>

(a) The non-taxable income of the Group includes interest income from PRC treasury bonds, municipal government bonds and dividend income.

(b) From January 1, 2013 to December 31, 2030, the Group's subsidiary, Hezhou Babu Dongying County Bank Company Limited is entitled to a preferential income tax rate of 15%.

14 Basic and diluted earnings per share

(a) Basic earnings per share are calculated by dividing the net profit attributable to the shareholders of the Bank by the weighted average number of ordinary shares issued by the Bank during the period.

	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
				(Unaudited)	
Net profit attributable to the shareholders of the Bank (RMB'000)	4,482,351	4,935,856	4,856,926	1,500,924	1,711,808
Weighted average number of ordinary shares (thousand shares)	<u>5,740,455</u>	<u>5,740,455</u>	<u>5,740,455</u>	<u>5,740,455</u>	<u>5,740,455</u>
Basic earnings per share (RMB)	<u>0.78</u>	<u>0.86</u>	<u>0.85</u>	<u>0.26</u>	<u>0.30</u>

(b) Diluted earnings per share

For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, the Bank had no potential diluted ordinary share, so the diluted earnings per share equaled the basic earnings per share.

15 Cash and balances with central banks

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Cash	1,610,576	2,456,109	2,432,295	2,629,927
Mandatory reserve deposits with central banks ^(a)	30,962,591	28,330,462	26,984,226	28,140,137
Surplus reserve deposits ^(b)	7,613,914	8,596,266	8,913,037	5,910,722
Other deposits with the central bank ^(c)	93,550	166,761	233,943	262,131
Sub-total	40,280,631	39,549,598	38,563,501	36,942,917
Accrued interest	16,251	7,573	12,953	12,960
Total	40,296,882	39,557,171	38,576,454	36,955,877
The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Cash	1,574,076	2,098,651	1,950,614	1,985,390
Mandatory reserve deposits with central banks ^(a)	30,681,641	26,496,632	23,343,938	23,547,096
Surplus reserve deposits ^(b)	7,540,721	8,341,570	6,923,738	5,176,185
Other deposits with the central bank ^(c)	93,550	119,844	141,760	219,716
Sub-total	39,889,988	37,056,697	32,360,050	30,928,387
Accrued interest	16,110	6,608	11,961	12,012
Total	39,906,098	37,063,305	32,372,011	30,940,399

(a) Mandatory reserve deposits with central banks represent the general reserve that the Group maintains with the People's Bank of China ("PBOC") in accordance with relevant regulations. The deposit ratios for the reserve of the Bank as at December 31, 2018, 2019 and 2020 and March 31, 2021 were as follows, respectively:

	As at December 31,			As at March 31,
	2018	2019	2020	2021
Mandatory reserve rate for deposits denominated in RMB	12.0%	9.5%	7.5%	7.5%
Mandatory reserve rate for deposits denominated in foreign currencies	5.0%	5.0%	5.0%	5.0%

The aforementioned mandatory reserve deposits with central banks cannot be used for daily operating activities. The ratios for RMB deposits in the reserve of the Bank's subsidiaries are in accordance with regulations of the PBOC.

- (b) Surplus reserve deposits with central banks are mainly for the purpose of clearing and settlement.
- (c) Other deposits with the central banks primarily represent fiscal deposits that are not available for use in the Group's daily operations, and are non-interest bearing from government.

16 Financial assets held under resale agreements and deposits and placements with banks and other financial institutions

<u>The Group</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Deposits with domestic banks and other financial institutions	2,747,237	9,619,705	7,445,852	5,471,690
Deposits with overseas banks and other financial institutions	712,357	2,148,313	4,861,029	5,257,912
Placements with domestic banks and other financial institutions	2,024,644	4,174,038	890,822	990,000
Notes held under resale agreements ^(a)	2,798,107	—	—	—
Bonds held under resale agreements ^(a)	<u>6,759,872</u>	<u>5,317,700</u>	<u>5,542,874</u>	<u>7,672,095</u>
Sub-total	<u>15,042,217</u>	<u>21,259,756</u>	<u>18,740,577</u>	<u>19,391,697</u>
Accrued interest	21,129	80,703	15,034	10,736
Provision for impairment losses	<u>(29,772)</u>	<u>(40,796)</u>	<u>(48,177)</u>	<u>(63,492)</u>
Total	<u>15,033,574</u>	<u>21,299,663</u>	<u>18,707,434</u>	<u>19,338,941</u>
<u>The Bank</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Deposits with domestic banks and other financial institutions	2,364,381	4,034,839	3,959,496	2,792,303
Deposits with overseas banks and other financial institutions	712,357	2,148,313	4,861,029	5,257,912
Placements with domestic banks and other financial institutions	2,024,644	4,094,038	491,494	300,000
Notes held under resale agreements ^(a)	2,798,107	—	—	—
Bonds held under resale agreements ^(a)	<u>6,706,821</u>	<u>5,277,700</u>	<u>4,607,654</u>	<u>6,819,147</u>
Sub-total	<u>14,606,310</u>	<u>15,554,890</u>	<u>13,919,673</u>	<u>15,169,362</u>
Accrued interest	19,223	39,311	4,240	4,310
Provision for impairment losses	<u>(27,560)</u>	<u>(32,965)</u>	<u>(43,064)</u>	<u>(52,137)</u>
Total	<u>14,597,973</u>	<u>15,561,236</u>	<u>13,880,849</u>	<u>15,121,535</u>

- (a) As at December 31, 2018, 2019 and 2020 and March 31, 2021, the Group and the Bank did not use financial assets held under resale agreements as pledged or mortgaged assets for repurchase agreements with other financial institutions. The collateral received by the Group under resale agreements is presented in Note 39.

17 Loans and advances to customers

(a) Loans and advances to customers are summarized as follows:

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Loans and advances to customers measured at amortized cost				
Corporate loans and advances				
— Corporate loans	95,480,064	107,682,268	134,299,305	141,649,625
— Discounted bills	147,296	127,717	1,318,294	1,643,380
	<u>95,627,360</u>	<u>107,809,985</u>	<u>135,617,599</u>	<u>143,293,005</u>
Personal loans and advances				
— Property mortgages	23,568,308	32,441,169	37,665,358	39,788,331
— Personal consumption loans	5,336,279	19,089,851	26,517,031	30,080,262
— Business loans	9,766,506	18,001,008	25,609,633	27,604,002
— Credit cards	10,870,652	10,516,314	8,223,874	7,601,216
	<u>49,541,745</u>	<u>80,048,342</u>	<u>98,015,896</u>	<u>105,073,811</u>
Accrued interest	304,589	438,358	531,968	591,851
Total loans and advances to customers measured at amortized cost	<u>145,473,694</u>	<u>188,296,685</u>	<u>234,165,463</u>	<u>248,958,667</u>
Impairment provision for loans and advances measured at amortized cost				
— Provision for ECL	<u>(7,211,741)</u>	<u>(7,294,528)</u>	<u>(7,340,817)</u>	<u>(7,652,645)</u>
Net book value of loans and advances to customers at amortized cost	<u>138,261,953</u>	<u>181,002,157</u>	<u>226,824,646</u>	<u>241,306,022</u>
Loans and advances to customers at fair value through other comprehensive income				
Corporate loans and advances				
— Rediscounted bills	19,183,708	17,968,481	25,442,797	24,372,753
— Other loans	—	—	2,374,319	3,011,108
Net loans and advances to customers	<u>157,445,661</u>	<u>198,970,638</u>	<u>254,641,762</u>	<u>268,689,883</u>

As at December 31, 2018, 2019 and 2020 and March 31, 2021, the expected credit loss rates for loans and advances to customers at amortized cost of the Group were 4.96%, 3.87%, 3.13% and 3.07% respectively.

The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Loans and advances to customers measured at amortized cost				
Corporate loans and advances				
— Corporate Loans	94,236,770	104,799,868	128,948,113	135,118,269
— Discounted bills	147,296	127,717	1,308,463	1,633,476
	<u>94,384,066</u>	<u>104,927,585</u>	<u>130,256,576</u>	<u>136,751,745</u>
Personal loans and advances				
— Property mortgages	23,479,727	29,747,272	33,602,627	35,680,362
— Personal consumption loans	5,125,700	17,214,222	24,201,235	27,851,840
— Business loans	8,600,522	14,682,242	22,293,797	24,251,305
— Credit cards	10,870,652	10,516,314	8,223,874	7,601,216
	<u>48,076,601</u>	<u>72,160,050</u>	<u>88,321,533</u>	<u>95,384,723</u>
Accrued interest	296,473	412,313	501,327	561,130
Total loans and advances to customers measured at amortized cost	<u>142,757,140</u>	<u>177,499,948</u>	<u>219,079,436</u>	<u>232,697,598</u>
Impairment provision for loans and advances measured at amortized cost				
— Provision for ECL	(6,685,582)	(6,972,588)	(6,693,581)	(6,867,564)
Net book value of loans and advances to customers at amortized cost	<u>136,071,558</u>	<u>170,527,360</u>	<u>212,385,855</u>	<u>225,830,034</u>
Net loans and advances to customers at fair value through other comprehensive income				
Corporate loans and advances				
— Rediscounted bills	19,183,708	14,584,826	19,925,100	17,127,773
— Other loans	—	—	2,374,319	3,011,108
Net loans and advances to customers	<u>155,255,266</u>	<u>185,112,186</u>	<u>234,685,274</u>	<u>245,968,915</u>

As at December 31, 2018, 2019 and 2020 and March 31, 2021, the expected credit loss rates for loans and advances to customers at amortized cost of the Bank were 4.68%, 3.93%, 3.06% and 2.95% respectively.

(b) Changes in provision for impairment losses of loans and advances to customers by assessment type:

The Group

	Stage 1	Stage 2	Stage 3	
Corporate loans and advances to customers measured at amortized cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at January 1, 2018	1,147,919	1,680,719	2,288,128	5,116,766
Originated or purchased	1,145,375	—	—	1,145,375
Repayment and transfer out	(580,289)	(493,491)	(683,598)	(1,757,378)
Write-off	—	—	(355,648)	(355,648)
Remeasurement ⁽ⁱ⁾	330,929	839,165	642,288	1,812,382
Net transfers in :				
— Stage 1	95,148	—	—	95,148
— Stage 2	—	(724,668)	—	(724,668)
— Stage 3	—	—	629,520	629,520
As at December 31, 2018	<u>2,139,082</u>	<u>1,301,725</u>	<u>2,520,690</u>	<u>5,961,497</u>
As at January 1, 2019	2,139,082	1,301,725	2,520,690	5,961,497
Originated or purchased	1,264,980	—	—	1,264,980
Repayment and transfer out	(1,058,468)	(173,155)	(549,853)	(1,781,476)
Write-off	—	—	(1,034,193)	(1,034,193)
Remeasurement ⁽ⁱ⁾	(43,915)	964,538	387,591	1,308,214
Net transfers in :				
— Stage 1	(48,509)	—	—	(48,509)
— Stage 2	—	(871,994)	—	(871,994)
— Stage 3	—	—	920,503	920,503
As at December 31, 2019	<u>2,253,170</u>	<u>1,221,114</u>	<u>2,244,738</u>	<u>5,719,022</u>
As at January 1, 2020	2,253,170	1,221,114	2,244,738	5,719,022
Originated or purchased	1,383,252	—	—	1,383,252
Repayment and transfer out	(1,166,897)	(732,754)	(565,730)	(2,465,381)
Write-off	—	—	(669,115)	(669,115)
Remeasurement ⁽ⁱ⁾	(60,438)	1,556,244	221,940	1,717,746
Net transfers in :				
— Stage 1	(3,083)	—	—	(3,083)
— Stage 2	—	(288,708)	—	(288,708)
— Stage 3	—	—	291,791	291,791
As at December 31, 2020	<u>2,406,004</u>	<u>1,755,896</u>	<u>1,523,624</u>	<u>5,685,524</u>

Corporate loans and advances to customers measured at amortized cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2021	2,406,004	1,755,896	1,523,624	5,685,524
Originated or purchased	398,189	—	—	398,189
Repayment and transfer out	(253,874)	(591,878)	(177,133)	(1,022,885)
Write-off	—	—	—	—
Remeasurement ⁽ⁱ⁾	(240,943)	328,118	783,130	870,305
Net transfers in :				
— Stage 1	(22,152)	—	—	(22,152)
— Stage 2	—	(358,558)	—	(358,558)
— Stage 3	—	—	380,710	380,710
As at March 31, 2021	<u>2,287,224</u>	<u>1,133,578</u>	<u>2,510,331</u>	<u>5,931,133</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, all the movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income are in stage 1.

The Group

Personal loans and advances to customers measured at amortized cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2018	777,264	131,728	342,437	1,251,429
Originated or purchased	122,292	—	—	122,292
Repayment and transfer out	(79,696)	(64,198)	(87,319)	(231,213)
Write-off	—	—	(81,210)	(81,210)
Remeasurement ⁽ⁱ⁾	(28,497)	123,871	93,572	188,946
Net transfers in :				
— Stage 1	14,977	—	—	14,977
— Stage 2	—	(54,950)	—	(54,950)
— Stage 3	—	—	39,973	39,973
As at December 31, 2018	<u>806,340</u>	<u>136,451</u>	<u>307,453</u>	<u>1,250,244</u>

	Stage 1	Stage 2	Stage 3	
Personal loans and advances to customers measured at amortized cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at January 1, 2019	806,340	136,451	307,453	1,250,244
Originated or purchased	895,142	—	—	895,142
Repayment and transfer out	(98,873)	(46,357)	(85,355)	(230,585)
Write-off	—	—	(109,842)	(109,842)
Remeasurement ⁽ⁱ⁾	(528,611)	152,698	146,460	(229,453)
Net transfers in :				
— Stage 1	28,868	—	—	28,868
— Stage 2	—	(96,402)	—	(96,402)
— Stage 3	—	—	67,534	67,534
As at December 31, 2019	<u>1,102,866</u>	<u>146,390</u>	<u>326,250</u>	<u>1,575,506</u>
As at January 1, 2020	1,102,866	146,390	326,250	1,575,506
Originated or purchased	438,361	—	—	438,361
Repayment and transfer out	(362,336)	(85,350)	(109,815)	(557,501)
Write-off	—	—	(117,451)	(117,451)
Remeasurement ⁽ⁱ⁾	(408,554)	229,613	495,319	316,378
Net transfers in :				
— Stage 1	7,640	—	—	7,640
— Stage 2	—	(93,865)	—	(93,865)
— Stage 3	—	—	86,225	86,225
As at December 31, 2020	<u>777,977</u>	<u>196,788</u>	<u>680,528</u>	<u>1,655,293</u>
As at January 1, 2021	777,977	196,788	680,528	1,655,293
Originated or purchased	170,613	—	—	170,613
Repayment and transfer out	(116,316)	(50,172)	(51,603)	(218,091)
Write-off	—	—	—	—
Remeasurement ⁽ⁱ⁾	(202,836)	211,403	105,130	113,697
Net transfers in :				
— Stage 1	24,798	—	—	24,798
— Stage 2	—	(29,397)	—	(29,397)
— Stage 3	—	—	4,599	4,599
As at March 31, 2021	<u>654,236</u>	<u>328,622</u>	<u>738,654</u>	<u>1,721,512</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

The Bank

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
Corporate loans and advances to customers measured at amortized cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at January 1, 2018	1,130,437	1,382,261	2,273,249	4,785,947
Originated or purchased	1,139,884	—	—	1,139,884
Repayment and transfer out	(568,959)	(398,455)	(676,908)	(1,644,322)
Write-off	—	—	(308,648)	(308,648)
Remeasurement ⁽ⁱ⁾	332,336	721,199	532,855	1,586,390
Net transfers in :				
— Stage 1	97,484	—	—	97,484
— Stage 2	—	(632,730)	—	(632,730)
— Stage 3	—	—	535,246	535,246
As at December 31, 2018	<u>2,131,182</u>	<u>1,072,275</u>	<u>2,355,794</u>	<u>5,559,251</u>
As at January 1, 2019	2,131,182	1,072,275	2,355,794	5,559,251
Originated or purchased	1,221,007	—	—	1,221,007
Repayment and transfer out	(1,052,312)	(211,118)	(497,553)	(1,760,983)
Write-off	—	—	(660,555)	(660,555)
Remeasurement ⁽ⁱ⁾	(27,280)	846,343	364,408	1,183,471
Net transfers in :				
— Stage 1	(40,154)	—	—	(40,154)
— Stage 2	—	(603,706)	—	(603,706)
— Stage 3	—	—	643,860	643,860
As at December 31, 2019	<u>2,232,443</u>	<u>1,103,794</u>	<u>2,205,954</u>	<u>5,542,191</u>
As at January 1, 2020	2,232,443	1,103,794	2,205,954	5,542,191
Originated or purchased	1,239,052	—	—	1,239,052
Repayment and transfer out	(1,151,180)	(605,823)	(550,083)	(2,307,086)
Write-off	—	—	(665,865)	(665,865)
Remeasurement ⁽ⁱ⁾	(31,775)	1,507,480	186,503	1,662,208
Net transfers in :				
— Stage 1	(3,686)	—	—	(3,686)
— Stage 2	—	(291,016)	—	(291,016)
— Stage 3	—	—	294,702	294,702
As at December 31, 2020	<u>2,284,854</u>	<u>1,714,435</u>	<u>1,471,211</u>	<u>5,470,500</u>

Corporate loans and advances to customers measured at amortized cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2021	2,284,854	1,714,435	1,471,211	5,470,500
Originated or purchased	370,149	—	—	370,149
Repayment and transfer out	(255,229)	(590,449)	(175,142)	(1,020,820)
Write-off	—	—	—	—
Remeasurement ⁽ⁱ⁾	3,751	11,838	682,122	697,711
Net transfers in :				
— Stage 1	(20,211)	—	—	(20,211)
— Stage 2	—	(359,810)	—	(359,810)
— Stage 3	—	—	380,021	380,021
As at March 31, 2021	<u>2,383,314</u>	<u>776,014</u>	<u>2,358,212</u>	<u>5,517,540</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, all the movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income are in stage 1.

The Bank

Personal loans and advances to customers measured at amortized cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2018	742,305	65,728	327,825	1,135,858
Originated or purchased	101,868	—	—	101,868
Repayment and transfer out	(61,764)	(24,103)	(80,556)	(166,423)
Write-off	—	—	(71,343)	(71,343)
Remeasurement ⁽ⁱ⁾	(26,133)	84,137	68,367	126,371
Net transfers in :				
— Stage 1	20,885	—	—	20,885
— Stage 2	—	(34,082)	—	(34,082)
— Stage 3	—	—	13,197	13,197
As at December 31, 2018	<u>777,161</u>	<u>91,680</u>	<u>257,490</u>	<u>1,126,331</u>

Personal loans and advances to customers measured at amortized cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2019	777,161	91,680	257,490	1,126,331
Originated or purchased	841,082	—	—	841,082
Repayment and transfer out	(84,801)	(30,859)	(71,429)	(187,089)
Write-off	—	—	(58,233)	(58,233)
Remeasurement ⁽ⁱ⁾	(484,200)	110,589	81,917	(291,694)
Net transfers in :				
— Stage 1	31,370	—	—	31,370
— Stage 2	—	(72,134)	—	(72,134)
— Stage 3	—	—	40,764	40,764
As at December 31, 2019	<u>1,080,612</u>	<u>99,276</u>	<u>250,509</u>	<u>1,430,397</u>
As at January 1, 2020	1,080,612	99,276	250,509	1,430,397
Originated or purchased	306,674	—	—	306,674
Repayment and transfer out	(338,938)	(54,354)	(62,259)	(455,551)
Write-off	—	—	(107,856)	(107,856)
Remeasurement ⁽ⁱ⁾	(502,463)	159,711	392,169	49,417
Net transfers in :				
— Stage 1	4,519	—	—	4,519
— Stage 2	—	(91,583)	—	(91,583)
— Stage 3	—	—	87,064	87,064
As at December 31, 2020	<u>550,404</u>	<u>113,050</u>	<u>559,627</u>	<u>1,223,081</u>
As at January 1, 2021	550,404	113,050	559,627	1,223,081
Originated or purchased	149,338	—	—	149,338
Repayment and transfer out	(99,254)	(38,852)	(38,209)	(176,315)
Write-off	—	—	—	—
Remeasurement ⁽ⁱ⁾	(48,690)	113,486	89,124	153,920
Net transfers in :				
— Stage 1	13,772	—	—	13,772
— Stage 2	—	(17,411)	—	(17,411)
— Stage 3	—	—	3,639	3,639
As at March 31, 2021	<u>565,570</u>	<u>170,273</u>	<u>614,181</u>	<u>1,350,024</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

(c) Analyzed by movements in carrying amount:

The Group

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
Corporate loans and advances to customers measured at amortized cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at January 1, 2018	85,571,262	3,301,598	2,900,117	91,772,977
Originated or purchased	49,645,185	—	—	49,645,185
Repayment and transfer out	(43,315,628)	(1,019,685)	(921,807)	(45,257,120)
Write-off	—	—	(355,648)	(355,648)
Net transfers in :				
— Stage 1	(1,447,816)	—	—	(1,447,816)
— Stage 2	—	65,314	—	65,314
— Stage 3	—	—	1,382,502	1,382,502
As at December 31, 2018	<u>90,453,003</u>	<u>2,347,227</u>	<u>3,005,164</u>	<u>95,805,394</u>
As at January 1, 2019	90,453,003	2,347,227	3,005,164	95,805,394
Acquisition of a subsidiary	2,067,840	—	—	2,067,840
Originated or purchased	58,327,106	—	—	58,327,106
Repayment and transfer out	(45,623,463)	(717,427)	(778,761)	(47,119,651)
Write-off	—	—	(1,034,193)	(1,034,193)
Net transfers in :				
— Stage 1	(2,407,466)	—	—	(2,407,466)
— Stage 2	—	841,613	—	841,613
— Stage 3	—	—	1,565,853	1,565,853
As at December 31, 2019	<u>102,817,020</u>	<u>2,471,413</u>	<u>2,758,063</u>	<u>108,046,496</u>
As at January 1, 2020	102,817,020	2,471,413	2,758,063	108,046,496
Acquisition of a subsidiary ⁽ⁱ⁾	1,054,986	—	—	1,054,986
Originated or purchased	84,163,397	—	—	84,163,397
Repayment and transfer out	(54,207,991)	(1,659,679)	(799,277)	(56,666,947)
Write-off	—	—	(669,115)	(669,115)
Net transfers in :				
— Stage 1	(3,190,852)	—	—	(3,190,852)
— Stage 2	—	2,523,101	—	2,523,101
— Stage 3	—	—	667,751	667,751
As at December 31, 2020	<u>130,636,560</u>	<u>3,334,835</u>	<u>1,957,422</u>	<u>135,928,817</u>

Corporate loans and advances to customers measured at amortized cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2021	130,636,560	3,334,835	1,957,422	135,928,817
Originated or purchased	26,424,275	—	—	26,424,275
Repayment and transfer out	(16,777,664)	(1,655,642)	(280,390)	(18,713,696)
Write-off	—	—	—	—
Net transfers in :				
— Stage 1	(1,739,836)	—	—	(1,739,836)
— Stage 2	—	363,939	—	363,939
— Stage 3	—	—	1,375,897	1,375,897
As at March 31, 2021	<u>138,543,335</u>	<u>2,043,132</u>	<u>3,052,929</u>	<u>143,639,396</u>

- (i) The credit impaired corporate loans and advances to customers acquired from the subsidiary amounted to RMB17,439 thousand.

For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, all the movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income are in stage 1.

The Group

Personal loans and advances to customers measured at amortized cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2018	41,142,937	215,762	406,080	41,764,779
Originated or purchased	16,744,747	—	—	16,744,747
Repayment and transfer out	(8,560,427)	(108,648)	(90,941)	(8,760,016)
Write-off	—	—	(81,210)	(81,210)
Net transfers in :				
— Stage 1	(266,026)	—	—	(266,026)
— Stage 2	—	124,396	—	124,396
— Stage 3	—	—	141,630	141,630
As at December 31, 2018	<u>49,061,231</u>	<u>231,510</u>	<u>375,559</u>	<u>49,668,300</u>

Personal loans and advances to customers measured at amortized cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2019	49,061,231	231,510	375,559	49,668,300
Acquisition of a subsidiary	6,169,208	—	—	6,169,208
Originated or purchased	37,534,757	—	—	37,534,757
Repayment and transfer out	(12,805,872)	(89,960)	(116,402)	(13,012,234)
Write-off	—	—	(109,842)	(109,842)
Net transfers in :				
— Stage 1	(648,306)	—	—	(648,306)
— Stage 2	—	369,710	—	369,710
— Stage 3	—	—	278,596	278,596
As at December 31, 2019	<u>79,311,018</u>	<u>511,260</u>	<u>427,911</u>	<u>80,250,189</u>
As at January 1, 2020	79,311,018	511,260	427,911	80,250,189
Acquisition of a subsidiary ⁽ⁱ⁾	1,207,002	—	—	1,207,002
Originated or purchased	49,477,704	—	—	49,477,704
Repayment and transfer out	(32,044,701)	(367,703)	(168,395)	(32,580,799)
Write-off	—	—	(117,450)	(117,450)
Net transfers in :				
— Stage 1	(1,193,294)	—	—	(1,193,294)
— Stage 2	—	501,341	—	501,341
— Stage 3	—	—	691,953	691,953
As at December 31, 2020	<u>96,757,729</u>	<u>644,898</u>	<u>834,019</u>	<u>98,236,646</u>
As at January 1, 2021	96,757,729	644,898	834,019	98,236,646
Originated or purchased	19,863,985	—	—	19,863,985
Repayment and transfer out	(12,572,535)	(146,471)	(62,354)	(12,781,360)
Write-off	—	—	—	—
Net transfers in :				
— Stage 1	(474,593)	—	—	(474,593)
— Stage 2	—	353,956	—	353,956
— Stage 3	—	—	120,637	120,637
As at March 31, 2021	<u>103,574,586</u>	<u>852,383</u>	<u>892,302</u>	<u>105,319,271</u>

(i) The credit impaired personal loans and advances to customers acquired from the subsidiary amounted to RMB2,523 thousand.

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	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
Corporate loans and advances to customers measured at amortized cost	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at January 1, 2018	84,678,341	2,615,628	2,881,617	90,175,586
Originated or purchased	48,994,526	—	—	48,994,526
Repayment and transfer out	(42,576,067)	(811,125)	(912,172)	(44,299,364)
Write-off	—	—	(308,648)	(308,648)
Net transfers in :				
— Stage 1	(1,177,833)	—	—	(1,177,833)
— Stage 2	—	21,301	—	21,301
— Stage 3	—	—	1,156,532	1,156,532
As at December 31, 2018	<u>89,918,967</u>	<u>1,825,804</u>	<u>2,817,329</u>	<u>94,562,100</u>
As at January 1, 2019	89,918,967	1,825,804	2,817,329	94,562,100
Originated or purchased	57,355,300	—	—	57,355,300
Repayment and transfer out	(44,904,738)	(472,860)	(704,954)	(46,082,552)
Write-off	—	—	(660,555)	(660,555)
Net transfers in :				
— Stage 1	(1,708,641)	—	—	(1,708,641)
— Stage 2	—	430,260	—	430,260
— Stage 3	—	—	1,278,381	1,278,381
As at December 31, 2019	<u>100,660,888</u>	<u>1,783,204</u>	<u>2,730,201</u>	<u>105,174,293</u>
As at January 1, 2020	100,660,888	1,783,204	2,730,201	105,174,293
Originated or purchased	80,720,685	—	—	80,720,685
Repayment and transfer out	(52,781,361)	(1,107,972)	(782,407)	(54,671,740)
Write-off	—	—	(665,866)	(665,866)
Net transfers in :				
— Stage 1	(2,636,744)	—	—	(2,636,744)
— Stage 2	—	2,052,422	—	2,052,422
— Stage 3	—	—	584,322	584,322
As at December 31, 2020	<u>125,963,468</u>	<u>2,727,654</u>	<u>1,866,250</u>	<u>130,557,372</u>

Corporate loans and advances to customers measured at amortized cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2021	125,963,468	2,727,654	1,866,250	130,557,372
Originated or purchased	24,477,421	—	—	24,477,421
Repayment and transfer out	(16,093,500)	(1,583,336)	(269,535)	(17,946,371)
Write-off	—	—	—	—
Net transfers in :				
— Stage 1	(1,402,734)	—	—	(1,402,734)
— Stage 2	—	134,411	—	134,411
— Stage 3	—	—	1,268,323	1,268,323
As at March 31, 2021	<u>132,944,655</u>	<u>1,278,729</u>	<u>2,865,038</u>	<u>137,088,422</u>

For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, all the movements in ECL allowance on loans and advances to customers at fair value through other comprehensive income are in stage 1.

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Personal loans and advances to customers measured at amortized cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2018	39,971,188	108,600	387,807	40,467,595
Originated or purchased	15,957,776	—	—	15,957,776
Repayment and transfer out	(8,035,806)	(40,654)	(82,528)	(8,158,988)
Write-off	—	—	(71,343)	(71,343)
Net transfers in :				
— Stage 1	(164,472)	—	—	(164,472)
— Stage 2	—	80,771	—	80,771
— Stage 3	—	—	83,701	83,701
As at December 31, 2018	<u>47,728,686</u>	<u>148,717</u>	<u>317,637</u>	<u>48,195,040</u>
As at January 1, 2019	47,728,686	148,717	317,637	48,195,040
Originated or purchased	36,281,675	—	—	36,281,675
Repayment and transfer out	(11,953,916)	(45,384)	(93,527)	(12,092,827)
Write-off	—	—	(58,233)	(58,233)
Net transfers in :				
— Stage 1	(268,313)	—	—	(268,313)
— Stage 2	—	89,189	—	89,189
— Stage 3	—	—	179,124	179,124
As at December 31, 2019	<u>71,788,132</u>	<u>192,522</u>	<u>345,001</u>	<u>72,325,655</u>

Personal loans and advances to customers measured at amortized cost	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2020	71,788,132	192,522	345,001	72,325,655
Originated or purchased	46,524,586	—	—	46,524,586
Repayment and transfer out	(29,977,390)	(128,160)	(114,772)	(30,220,322)
Write-off	—	—	(107,855)	(107,855)
Net transfers in :				—
— Stage 1	(759,675)	—	—	(759,675)
— Stage 2	—	202,407	—	202,407
— Stage 3	—	—	557,268	557,268
As at December 31, 2020	<u>87,575,653</u>	<u>266,769</u>	<u>679,642</u>	<u>88,522,064</u>
As at January 1, 2021	87,575,653	266,769	679,642	88,522,064
Originated or purchased	19,077,151	—	—	19,077,151
Repayment and transfer out	(11,851,622)	(93,421)	(44,996)	(11,990,039)
Write-off	—	—	—	—
Net transfers in :				
— Stage 1	(371,282)	—	—	(371,282)
— Stage 2	—	282,727	—	282,727
— Stage 3	—	—	88,555	88,555
As at March 31, 2021	<u>94,429,900</u>	<u>456,075</u>	<u>723,201</u>	<u>95,609,176</u>

(d) Loans and advances to customers by assessment type:

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As at December 31, 2018	Carrying amounts			Total
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	
Total loans and advances to customers				
— Corporate loans and advances	109,636,711	2,347,227	3,005,164	114,989,102
— Personal loans and advances	49,061,231	231,510	375,559	49,668,300
Provision for ECL	(2,945,422)	(1,438,176)	(2,828,143)	(7,211,741)
Net loans and advances to customers	<u>155,752,520</u>	<u>1,140,561</u>	<u>552,580</u>	<u>157,445,661</u>

<u>As at December 31, 2019</u>	<u>Carrying amounts</u>			<u>Total</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
Total loans and advances to customers				
— Corporate loans and advances	120,765,748	2,491,166	2,758,063	126,014,977
— Personal loans and advances	79,311,018	511,260	427,911	80,250,189
Provision for ECL	(3,356,036)	(1,367,504)	(2,570,988)	(7,294,528)
Net loans and advances to customers	<u>196,720,730</u>	<u>1,634,922</u>	<u>614,986</u>	<u>198,970,638</u>

<u>As at December 31, 2020</u>	<u>Carrying amounts</u>			<u>Total</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
Total loans and advances to customers				
— Corporate loans and advances	158,453,676	3,334,835	1,957,422	163,745,933
— Personal loans and advances	96,757,729	644,898	834,019	98,236,646
Provision for ECL	(3,183,981)	(1,952,684)	(2,204,152)	(7,340,817)
Net loans and advances to customers	<u>252,027,424</u>	<u>2,027,049</u>	<u>587,289</u>	<u>254,641,762</u>

<u>As at March 31, 2021</u>	<u>Carrying amounts</u>			<u>Total</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
Total loans and advances to customers				
— Corporate loans and advances	165,927,196	2,043,132	3,052,929	171,023,257
— Personal loans and advances	103,574,586	852,383	892,302	105,319,271
Provision for ECL	(2,941,460)	(1,462,200)	(3,248,985)	(7,652,645)
Net loans and advances to customers	<u>266,560,322</u>	<u>1,433,315</u>	<u>696,246</u>	<u>268,689,883</u>

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<u>As at December 31, 2018</u>	<u>Carrying amounts</u>			<u>Total</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
Total loans and advances to customers				
— Corporate loans and advances	109,102,675	1,825,804	2,817,329	113,745,808
— Personal loans and advances	47,728,686	148,717	317,637	48,195,040
Provision for ECL	(2,908,343)	(1,163,955)	(2,613,284)	(6,685,582)
Net loans and advances to customers	<u>153,923,018</u>	<u>810,566</u>	<u>521,682</u>	<u>155,255,266</u>
<u>As at December 31, 2019</u>	<u>Carrying amounts</u>			<u>Total</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
Total loans and advances to customers				
— Corporate loans and advances	115,225,961	1,802,957	2,730,201	119,759,119
— Personal loans and advances	71,788,132	192,522	345,001	72,325,655
Provision for ECL	(3,313,055)	(1,203,070)	(2,456,463)	(6,972,588)
Net loans and advances to customers	<u>183,701,038</u>	<u>792,409</u>	<u>618,739</u>	<u>185,112,186</u>
<u>As at December 31, 2020</u>	<u>Carrying amounts</u>			<u>Total</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
Total loans and advances to customers				
— Corporate loans and advances	148,262,887	2,727,654	1,866,250	152,856,791
— Personal loans and advances	87,575,653	266,769	679,642	88,522,064
Provision for ECL	(2,835,258)	(1,827,485)	(2,030,838)	(6,693,581)
Net loans and advances to customers	<u>233,003,282</u>	<u>1,166,938</u>	<u>515,054</u>	<u>234,685,274</u>

As at March 31, 2021	Carrying amounts			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Total loans and advances to customers				
— Corporate loans and advances	153,083,536	1,278,729	2,865,038	157,227,303
— Personal loans and advances	94,429,900	456,075	723,201	95,609,176
Provision for ECL	(2,948,884)	(946,287)	(2,972,393)	(6,867,564)
Net loans and advances to customers	<u>244,564,532</u>	<u>788,517</u>	<u>615,846</u>	<u>245,968,915</u>

18 Financial investments

The Group	Note	As at December 31,			As at March 31,
		2018	2019	2020	2021
Financial assets at fair value through profit or loss	18.1	34,974,737	30,254,846	36,101,567	37,097,217
Financial investments at amortized cost	18.2	67,979,559	86,869,578	111,667,933	109,770,386
Financial investments at fair value through other comprehensive income	18.3	<u>86,043,104</u>	<u>78,350,885</u>	<u>79,943,601</u>	<u>84,139,022</u>
Total		<u>188,997,400</u>	<u>195,475,309</u>	<u>227,713,101</u>	<u>231,006,625</u>
The Bank	Note	As at December 31,			As at March 31,
		2018	2019	2020	2021
Financial assets at fair value through profit or loss	18.1	34,974,737	30,254,846	35,971,047	36,731,865
Financial investments at amortized cost	18.2	67,811,115	80,462,517	78,721,881	82,099,003
Financial investments at fair value through other comprehensive income	18.3	<u>83,946,187</u>	<u>76,185,204</u>	<u>76,407,306</u>	<u>75,358,097</u>
Total		<u>186,732,039</u>	<u>186,902,567</u>	<u>191,100,234</u>	<u>194,188,965</u>

18.1 Financial assets at fair value through profit or loss

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Measured at fair value through profit or loss				
— Held for trading	29,675,743	27,052,232	32,639,420	33,634,228
— Other financial assets at fair value through profit or loss	5,298,994	3,202,614	3,462,147	3,462,989
Total	34,974,737	30,254,846	36,101,567	37,097,217
Listed in Mainland China				
— Government bonds	909,749	7,639,845	5,961,279	4,234,017
— Financial institution bonds	9,845,996	2,751,497	3,153,794	4,626,210
— Corporate bonds	7,002,796	5,500,335	3,027,470	2,366,741
— Interbank certificates of deposits	6,517,182	988,266	—	48,757
— Fund Investments	6,423,499	10,215,267	20,496,877	22,358,502
Sub-total	30,699,222	27,095,210	32,639,420	33,634,227
Unlisted				
— Rights to earnings on credit assets ^(a)	4,245,486	3,130,299	3,434,843	3,435,058
— Others	30,029	29,337	27,304	27,932
Sub-total	4,275,515	3,159,636	3,462,147	3,462,990
Total	34,974,737	30,254,846	36,101,567	37,097,217

The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Measured at fair value through profit or loss				
— Held for trading	29,675,743	27,052,232	32,518,900	33,338,876
— Other financial assets at fair value through profit or loss	<u>5,298,994</u>	<u>3,202,614</u>	<u>3,452,147</u>	<u>3,392,989</u>
Total	<u>34,974,737</u>	<u>30,254,846</u>	<u>35,971,047</u>	<u>36,731,865</u>
Listed in Mainland China				
— Government bonds	909,749	7,639,845	5,930,205	4,234,017
— Financial institution bonds	9,845,996	2,751,497	3,133,799	4,568,435
— Corporate bonds	7,002,796	5,500,335	2,958,018	2,177,921
— Interbank certificates of deposits	6,517,182	988,266	—	—
— Fund Investments	<u>6,423,499</u>	<u>10,215,267</u>	<u>20,496,878</u>	<u>22,358,502</u>
Sub-total	<u>30,699,222</u>	<u>27,095,210</u>	<u>32,518,900</u>	<u>33,338,875</u>
Unlisted				
— Rights to earnings on credit assets ^(a)	4,245,486	3,130,299	3,424,843	3,365,058
— Others	<u>30,029</u>	<u>29,337</u>	<u>27,304</u>	<u>27,932</u>
Sub-total	<u>4,275,515</u>	<u>3,159,636</u>	<u>3,452,147</u>	<u>3,392,990</u>
Total	<u>34,974,737</u>	<u>30,254,846</u>	<u>35,971,047</u>	<u>36,731,865</u>

(a) As at December 31, 2018, 2019 and 2020 and March 31, 2021, the rights to earnings on credit assets are invested in loan, foreclosed assets and finance lease receivables.

18.2 Financial investments at amortized cost

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Listed in Mainland China				
— Government bonds	47,321,373	60,337,042	75,986,548	75,556,258
— Financial institution bonds	7,430,009	9,869,742	16,446,750	16,785,563
— Corporate bonds	5,856,552	7,345,014	7,378,596	8,525,651
— Interbank certificates of deposits	165,816	4,177,123	9,210,778	6,351,623
Sub-total	60,773,750	81,728,921	109,022,672	107,219,095
Unlisted				
— Rights to earnings on credit assets (18.1(a))	6,384,931	3,969,649	902,634	654,519
— Certificate treasury bonds	25,387	62,765	104,772	108,867
Sub-total	6,410,318	4,032,414	1,007,406	763,386
Accrued interest	909,644	1,234,271	1,758,819	1,899,517
Provision for ECL	(114,153)	(126,028)	(120,964)	(111,612)
Total	67,979,559	86,869,578	111,667,933	109,770,386

(1) Analyzed by movements in loss allowance:

The Group	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2018	71,168	13,537	—	84,705
Originated or purchased	73,411	—	—	73,411
Repayment and transfer out	(37,209)	(3,822)	—	(41,031)
Remeasurement ⁽ⁱ⁾	(3,337)	405	—	(2,932)
Net transfers in :				
— Stage 1	(6)	—	—	(6)
— Stage 2	—	6	—	6
— Stage 3	—	—	—	—
As at December 31, 2018	104,027	10,126	—	114,153

The Group	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2019	104,027	10,126	—	114,153
Originated or purchased	64,572	—	—	64,572
Repayment and transfer out	(68,014)	(2,168)	—	(70,182)
Remeasurement ⁽ⁱ⁾	16,617	868	—	17,485
Net transfers in :				
— Stage 1	2,714	—	—	2,714
— Stage 2	—	(2,714)	—	(2,714)
— Stage 3	—	—	—	—
As at December 31, 2019	<u>119,916</u>	<u>6,112</u>	<u>—</u>	<u>126,028</u>
As at January 1, 2020	119,916	6,112	—	126,028
Originated or purchased	38,973	—	—	38,973
Repayment and transfer out	(75,059)	(2,382)	—	(77,441)
Remeasurement ⁽ⁱ⁾	16,334	592	16,478	33,404
Net transfers in :				
— Stage 1	(281)	—	—	(281)
— Stage 2	—	(1,210)	—	(1,210)
— Stage 3	—	—	1,491	1,491
As at December 31, 2020	<u>99,883</u>	<u>3,112</u>	<u>17,969</u>	<u>120,964</u>
As at January 1, 2021	99,883	3,112	17,969	120,964
Originated or purchased	19,832	—	—	19,832
Repayment and transfer out	(20,991)	—	(17,969)	(38,960)
Remeasurement ⁽ⁱ⁾	9,154	622	—	9,776
Net transfers in :				
— Stage 1	(147)	—	—	(147)
— Stage 2	—	147	—	147
— Stage 3	—	—	—	—
As at March 31, 2021	<u>107,731</u>	<u>3,881</u>	<u>—</u>	<u>111,612</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

As at December 31, 2018, 2019 and 2020 and March 31, 2021, the expected credit loss rates for financial investments at amortized cost of the Group were 0.17%, 0.14%, 0.11% and 0.10% respectively.

(2) Analyzed by movements in carrying amount:

<u>The Group</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
As at January 1, 2018	61,020,759	531,496	—	61,552,255
Originated or purchased	20,933,536	—	—	20,933,536
Repayment and transfer out	(14,264,500)	(127,579)	—	(14,392,079)
Net transfers in :				
— Stage 1	(112,004)	—	—	(112,004)
— Stage 2	—	112,004	—	112,004
— Stage 3	—	—	—	—
As at December 31, 2018	<u>67,577,791</u>	<u>515,921</u>	<u>—</u>	<u>68,093,712</u>
As at January 1, 2019	67,577,791	515,921	—	68,093,712
Acquisition of a subsidiary ⁽ⁱ⁾	2,419,204	—	—	2,419,204
Originated or purchased	32,961,234	—	—	32,961,234
Repayment and transfer out	(16,350,807)	(127,737)	—	(16,478,544)
Net transfers in :				
— Stage 1	170,826	—	—	170,826
— Stage 2	—	(170,826)	—	(170,826)
— Stage 3	—	—	—	—
As at December 31, 2019	<u>86,778,248</u>	<u>217,358</u>	<u>—</u>	<u>86,995,606</u>
As at January 1, 2020	86,778,248	217,358	—	86,995,606
Acquisition of a subsidiary ⁽ⁱ⁾	16,487,788	—	—	16,487,788
Originated or purchased	33,891,102	—	—	33,891,102
Repayment and transfer out	(25,508,839)	(76,760)	—	(25,585,599)
Net transfers in :				
— Stage 1	(93,441)	—	—	(93,441)
— Stage 2	—	40,403	—	40,403
— Stage 3	—	—	53,038	53,038
As at December 31, 2020	<u>111,554,858</u>	<u>181,001</u>	<u>53,038</u>	<u>111,788,897</u>
As at January 1, 2021	111,554,858	181,001	53,038	111,788,897
Originated or purchased	16,634,559	—	—	16,634,559
Repayment and transfer out	(18,488,420)	—	(53,038)	(18,541,458)
Net transfers in :				
— Stage 1	(71,798)	—	—	(71,798)
— Stage 2	—	71,798	—	71,798
— Stage 3	—	—	—	—
As at March 31, 2021	<u>109,629,199</u>	<u>252,799</u>	<u>—</u>	<u>109,881,998</u>

(i) The financial investments acquired from the subsidiary in 2019 are mainly government bonds and interbank certificates of deposits and classified in stage 1.

The financial investments acquired from the subsidiary in 2020 are mainly government bonds, financial institution bonds and interbank certificates of deposits and classified in stage 1.

The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Listed in Mainland China				
— Government bonds	47,321,373	59,013,550	66,029,397	69,472,790
— Financial institution bonds	7,430,009	8,995,896	5,403,344	5,349,514
— Corporate bonds	5,856,552	7,345,014	5,479,749	5,476,018
Sub-total	60,607,934	75,354,460	76,912,490	80,298,322
Unlisted				
— Right to earnings on credit assets (18.1(a))	6,384,931	3,969,648	500,744	256,629
— Certificate treasury bonds	25,387	62,765	104,772	108,867
Sub-total	6,410,318	4,032,413	605,516	365,496
Accrued interest	906,978	1,200,333	1,276,679	1,509,124
Provision for ECL	(114,115)	(124,689)	(72,804)	(73,939)
Total	67,811,115	80,462,517	78,721,881	82,099,003

(1) Analyzed by movements in loss allowance :

The Bank	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2018	70,619	13,537	—	84,156
Originated or purchased	73,373	—	—	73,373
Repayment and transfer out	(36,660)	(3,822)	—	(40,482)
Remeasurement ⁽ⁱ⁾	(3,337)	405	—	(2,932)
Net transfers in :				
— Stage 1	(6)	—	—	(6)
— Stage 2	—	6	—	6
— Stage 3	—	—	—	—
As at December 31, 2018	103,989	10,126	—	114,115
As at January 1, 2019	103,989	10,126	—	114,115
Originated or purchased	63,688	—	—	63,688
Repayment and transfer out	(67,958)	(2,168)	—	(70,126)
Remeasurement ⁽ⁱ⁾	16,144	868	—	17,012
Net transfers in :				
— Stage 1	2,714	—	—	2,714
— Stage 2	—	(2,714)	—	(2,714)
— Stage 3	—	—	—	—
As at December 31, 2019	118,577	6,112	—	124,689

The Bank	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2020	118,577	6,112	—	124,689
Originated or purchased	10,153	—	—	10,153
Repayment and transfer out	(72,472)	(2,382)	—	(74,854)
Remeasurement ⁽ⁱ⁾	13,637	(821)	—	12,816
Net transfers in :				
— Stage 1	(203)	—	—	(203)
— Stage 2	—	203	—	203
— Stage 3	—	—	—	—
As at December 31, 2020	<u>69,692</u>	<u>3,112</u>	<u>—</u>	<u>72,804</u>
As at January 1, 2021	69,692	3,112	—	72,804
Originated or purchased	2,625	—	—	2,625
Repayment and transfer out	(1,461)	—	—	(1,461)
Remeasurement ⁽ⁱ⁾	(650)	621	—	(29)
Net transfers in :				
— Stage 1	(23)	—	—	(23)
— Stage 2	—	23	—	23
— Stage 3	—	—	—	—
As at March 31, 2021	<u>70,183</u>	<u>3,756</u>	<u>—</u>	<u>73,939</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

As at December 31, 2018, 2019 and 2020 and March 31, 2021, the expected credit loss rates for financial investments at amortised cost of the Bank were 0.17%, 0.15%, 0.09% and 0.09% respectively.

(2) Analyzed by movements in carrying amount :

The Bank	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2018	60,513,667	531,496	—	61,045,163
Originated or purchased	20,765,054	—	—	20,765,054
Repayment and transfer out	(13,757,408)	(127,579)	—	(13,884,987)
Net transfers in :				
— Stage 1	(112,004)	—	—	(112,004)
— Stage 2	—	112,004	—	112,004
— Stage 3	—	—	—	—
As at December 31, 2018	<u>67,409,309</u>	<u>515,921</u>	<u>—</u>	<u>67,925,230</u>

<u>The Bank</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
As at January 1, 2019	67,409,309	515,921	—	67,925,230
Originated or purchased	28,862,237	—	—	28,862,237
Repayment and transfer out	(16,072,524)	(127,737)	—	(16,200,261)
Net transfers in :				
— Stage 1	170,826	—	—	170,826
— Stage 2	—	(170,826)	—	(170,826)
— Stage 3	—	—	—	—
As at December 31, 2019	<u>80,369,848</u>	<u>217,358</u>	<u>—</u>	<u>80,587,206</u>
As at January 1, 2020	80,369,848	217,358	—	80,587,206
Originated or purchased	18,263,740	—	—	18,263,740
Repayment and transfer out	(19,979,501)	(76,760)	—	(20,056,261)
Net transfers in :				
— Stage 1	(40,403)	—	—	(40,403)
— Stage 2	—	40,403	—	40,403
— Stage 3	—	—	—	—
As at December 31, 2020	<u>78,613,684</u>	<u>181,001</u>	<u>—</u>	<u>78,794,685</u>
As at January 1, 2021	78,613,684	181,001	—	78,794,685
Originated or purchased	5,281,049	2,708	—	5,283,757
Repayment and transfer out	(1,905,500)	—	—	(1,905,500)
Net transfers in :				
— Stage 1	(40,671)	—	—	(40,671)
— Stage 2	—	40,671	—	40,671
— Stage 3	—	—	—	—
As at March 31, 2021	<u>81,948,562</u>	<u>224,380</u>	<u>—</u>	<u>82,172,942</u>

18.3 Financial investments at fair value through other comprehensive income

<u>The Group</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debt instrument investments at fair value through other comprehensive income				
Listed in Mainland China				
— Government bonds	22,120,073	24,919,324	43,264,031	42,828,623
— Financial institution bonds	9,503,956	14,768,456	16,892,014	22,456,150
— Corporate bonds	50,248,939	31,634,426	16,826,156	13,207,300
— Interbank certificates of deposit	<u>192,774</u>	<u>3,660,873</u>	<u>342,939</u>	<u>3,069,906</u>
Sub-total	<u>82,065,742</u>	<u>74,983,079</u>	<u>77,325,140</u>	<u>81,561,979</u>

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Unlisted				
— Direct financing instruments for wealth management products (“WMPs”)	625,165	603,853	222,000	223,443
— Rights to earnings on credit assets (18.1(a))	936,363	594,251	446,175	272,591
Sub-total	1,561,528	1,198,104	668,175	496,034
Equity instruments designated at fair value through other comprehensive income				
— Unlisted equity investments	611,943	563,149	566,705	575,204
Accrued interest	1,803,891	1,606,553	1,383,581	1,505,805
Total	86,043,104	78,350,885	79,943,601	84,139,022

(1) Analyzed by movements in loss allowance :

The Group	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2018	113,470	69,396	—	182,866
Originated or purchased	80,173	—	—	80,173
Repayment and transfer out	(48,824)	(14,790)	—	(63,614)
Remeasurement ⁽ⁱ⁾	(6,413)	31,722	551,692	577,001
Net transfers in :				
— Stage 1	14,042	—	—	14,042
— Stage 2	—	(15,808)	—	(15,808)
— Stage 3	—	—	1,766	1,766
As at December 31, 2018	152,448	70,520	553,458	776,426
As at January 1, 2019	152,448	70,520	553,458	776,426
Originated or purchased	26,601	—	—	26,601
Repayment and transfer out	(75,472)	(8,822)	—	(84,294)
Remeasurement ⁽ⁱ⁾	39,743	455,012	1,260,680	1,755,435
Net transfers in :				
— Stage 1	(4,920)	—	—	(4,920)
— Stage 2	—	(16,777)	—	(16,777)
— Stage 3	—	—	21,697	21,697
As at December 31, 2019	138,400	499,933	1,835,835	2,474,168

<u>The Group</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
As at January 1, 2020	138,400	499,933	1,835,835	2,474,168
Originated or purchased	42,990	—	—	42,990
Repayment and transfer out	(78,151)	(237,291)	(37,867)	(353,309)
Remeasurement ⁽ⁱ⁾	(34,157)	(44,668)	483,038	404,213
Net transfers in :				
— Stage 1	47,369	—	—	47,369
— Stage 2	—	(58,140)	—	(58,140)
— Stage 3	—	—	10,771	10,771
As at December 31, 2020	<u>116,451</u>	<u>159,834</u>	<u>2,291,777</u>	<u>2,568,062</u>
As at January 1, 2021	116,451	159,834	2,291,777	2,568,062
Originated or purchased	24,612	—	—	24,612
Repayment and transfer out	(14,645)	(4,065)	(56,157)	(74,867)
Remeasurement ⁽ⁱ⁾	(20,328)	10,960	160,973	151,605
Net transfers in :				
— Stage 1	19,256	—	—	19,256
— Stage 2	—	(19,256)	—	(19,256)
— Stage 3	—	—	—	—
As at March 31, 2021	<u>125,346</u>	<u>147,473</u>	<u>2,396,593</u>	<u>2,669,412</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

(2) Analyzed by movements in carrying amount:

<u>The Group</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
As at January 1, 2018	83,110,038	3,206,850	—	86,316,888
Originated or purchased	35,671,594	—	—	35,671,594
Repayment and transfer out	(35,457,925)	(1,099,396)	—	(36,557,321)
Net transfers in :				
— Stage 1	(561,605)	—	—	(561,605)
— Stage 2	—	485,196	—	485,196
— Stage 3	—	—	76,409	76,409
As at December 31, 2018	<u>82,762,102</u>	<u>2,592,650</u>	<u>76,409</u>	<u>85,431,161</u>

The Group	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2019	82,762,102	2,592,650	76,409	85,431,161
Originated or purchased	28,667,031	—	—	28,667,031
Repayment and transfer out	(34,836,278)	(626,185)	(847,993)	(36,310,456)
Net transfers in :				
— Stage 1	(1,430,121)	—	—	(1,430,121)
— Stage 2	—	185,246	—	185,246
— Stage 3	—	—	1,244,875	1,244,875
As at December 31, 2019	<u>75,162,734</u>	<u>2,151,711</u>	<u>473,291</u>	<u>77,787,736</u>
As at January 1, 2020	75,162,734	2,151,711	473,291	77,787,736
Acquisition of a subsidiary ⁽ⁱ⁾	195,850	—	—	195,850
Originated or purchased	46,671,785	—	—	46,671,785
Repayment and transfer out	(43,827,587)	(1,172,095)	(278,793)	(45,278,475)
Net transfers in :				
— Stage 1	(802,721)	—	—	(802,721)
— Stage 2	—	186,069	—	186,069
— Stage 3	—	—	616,652	616,652
As at December 31, 2020	<u>77,400,061</u>	<u>1,165,685</u>	<u>811,150</u>	<u>79,376,896</u>
As at January 1, 2021	77,400,061	1,165,685	811,150	79,376,896
Originated or purchased	13,061,000	—	—	13,061,000
Repayment and transfer out	(8,538,564)	(22,864)	(312,650)	(8,874,078)
Net transfers in :				
— Stage 1	210,300	—	—	210,300
— Stage 2	—	(210,629)	—	(210,629)
— Stage 3	—	—	329	329
As at March 31, 2021	<u>82,132,797</u>	<u>932,192</u>	<u>498,829</u>	<u>83,563,818</u>

(i) The financial investments acquired from the subsidiary in 2020 are mainly interbank certificates of deposits and classified in stage 1.

The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Debt instrument investments at fair value through other comprehensive income				
Listed in Mainland China				
— Government bonds	21,817,328	24,686,438	42,422,185	41,358,773
— Financial institution bonds	9,371,319	14,363,394	15,331,408	18,831,460
— Corporate bonds	49,152,915	30,666,255	16,104,687	12,805,419
— Interbank certificates of deposit	192,774	3,544,710	—	—
Sub-total	<u>80,534,336</u>	<u>73,260,797</u>	<u>73,858,280</u>	<u>72,995,652</u>

The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Unlisted				
— Direct financing instruments for WMPs	625,165	603,853	222,000	223,443
— Rights to earnings on credit assets (18.1(a))	436,363	218,623	446,175	272,591
Sub-total	1,061,528	822,476	668,175	496,034
Equity instruments designated at fair value through other comprehensive income				
— Unlisted equity investments	611,943	555,149	557,705	558,293
Accrued interest	1,738,380	1,546,782	1,323,146	1,308,118
Total	83,946,187	76,185,204	76,407,306	75,358,097

(1) Analysis by movements in loss allowance :

The Bank	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2018	112,118	69,396	—	181,514
Originated or purchased	74,833	—	—	74,833
Repayment and transfer out	(47,784)	(14,790)	—	(62,574)
Remeasurement ⁽ⁱ⁾	(6,469)	29,864	551,692	575,087
Net transfers in :				
— Stage 1	14,202	—	—	14,202
— Stage 2	—	(15,968)	—	(15,968)
— Stage 3	—	—	1,766	1,766
As at December 31, 2018	146,900	68,502	553,458	768,860
As at January 1, 2019	146,900	68,502	553,458	768,860
Originated or purchased	22,676	—	—	22,676
Repayment and transfer out	(71,746)	(8,467)	—	(80,213)
Remeasurement ⁽ⁱ⁾	40,593	427,119	1,260,680	1,728,392
Net transfers in :				
— Stage 1	(5,918)	—	—	(5,918)
— Stage 2	—	(15,779)	—	(15,779)
— Stage 3	—	—	21,697	21,697
As at December 31, 2019	132,505	471,375	1,835,835	2,439,715

The Bank	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2020	132,505	471,375	1,835,835	2,439,715
Originated or purchased	37,126	—	—	37,126
Repayment and transfer out	(74,007)	(208,733)	(37,867)	(320,607)
Remeasurement ⁽ⁱ⁾	(33,848)	(44,668)	483,038	404,522
Net transfers in :				
— Stage 1	47,369	—	—	47,369
— Stage 2	—	(58,140)	—	(58,140)
— Stage 3	—	—	10,771	10,771
As at December 31, 2020	<u>109,145</u>	<u>159,834</u>	<u>2,291,777</u>	<u>2,560,756</u>
As at January 1, 2021	109,145	159,834	2,291,777	2,560,756
Originated or purchased	14,669	—	—	14,669
Repayment and transfer out	(13,489)	(4,065)	(56,157)	(73,711)
Remeasurement ⁽ⁱ⁾	(20,804)	10,960	160,973	151,129
Net transfers in :				
— Stage 1	19,256	—	—	19,256
— Stage 2	—	(19,256)	—	(19,256)
As at March 31, 2021	<u>108,777</u>	<u>147,473</u>	<u>2,396,593</u>	<u>2,652,843</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

(2) Analyzed by movements in carrying amount:

The Bank	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2018	82,314,245	3,206,850	—	85,521,095
Originated or purchased	33,981,885	—	—	33,981,885
Repayment and transfer out	(35,069,340)	(1,099,396)	—	(36,168,736)
Net transfers in:				
— Stage 1	(509,445)	—	—	(509,445)
— Stage 2	—	433,036	—	433,036
— Stage 3	—	—	76,409	76,409
As at December 31, 2018	<u>80,717,345</u>	<u>2,540,490</u>	<u>76,409</u>	<u>83,334,244</u>

<u>The Bank</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	<u>12-month ECL</u>	<u>Lifetime ECL</u>	<u>Lifetime ECL</u>	
As at January 1, 2019	80,717,345	2,540,490	76,409	83,334,244
Originated or purchased	27,407,177	—	—	27,407,177
Repayment and transfer out	(33,658,277)	(605,096)	(847,993)	(35,111,366)
Net transfers in:				
— Stage 1	(1,253,142)	—	—	(1,253,142)
— Stage 2	—	8,267	—	8,267
— Stage 3	—	—	1,244,875	1,244,875
As at December 31, 2019	<u>73,213,103</u>	<u>1,943,661</u>	<u>473,291</u>	<u>75,630,055</u>
As at January 1, 2020	73,213,103	1,943,661	473,291	75,630,055
Originated or purchased	44,048,220	—	—	44,048,220
Repayment and transfer out	(42,585,835)	(964,046)	(278,793)	(43,828,674)
Net transfers in:				
— Stage 1	(802,721)	—	—	(802,721)
— Stage 2	—	186,069	—	186,069
— Stage 3	—	—	616,652	616,652
As at December 31, 2020	<u>73,872,767</u>	<u>1,165,684</u>	<u>811,150</u>	<u>75,849,601</u>
As at January 1, 2021	73,872,767	1,165,684	811,150	75,849,601
Originated or purchased	7,311,933	—	—	7,311,933
Repayment and transfer out	(8,033,457)	(15,623)	(312,650)	(8,361,730)
Net transfers in:				
— Stage 1	210,300	—	—	210,300
— Stage 2	—	(210,629)	—	(210,629)
— Stage 3	—	—	329	329
As at March 31, 2021	<u>73,361,543</u>	<u>939,432</u>	<u>498,829</u>	<u>74,799,804</u>

19 Subsidiaries

	<u>As at December 31,</u>			<u>As at</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>March 31,</u>
				<u>2021</u>
Investment cost	<u>290,000</u>	<u>1,917,760</u>	<u>3,735,487</u>	<u>3,735,487</u>

Subsidiaries invested by the Bank are set out below:

Name of entity	Date and place of incorporation/ establishment	Authorized/ paid-in capital	Percentage of equity interest (%) / voting rights (%)				Principal activities
			December 31, 2018	December 31, 2019	December 31, 2020	March 31, 2021	
Huizhou Zhongkai Dongying County Bank Company Limited	December 13, 2010 Huizhou, Guangdong	RMB 300,000,000	51.00%	51.00%	51.00%	51.00%	Banking
Yunfu Xinxing Dongying County Bank Company Limited	December 23, 2011 Yunfu, Guangdong	RMB 100,000,000	51.00%	51.00%	51.00%	51.00%	Banking
Hezhou Babu Dongying County Bank Company Limited	August 8, 2012 Hezhou, Guangxi	RMB 100,000,000	51.00%	51.00%	51.00%	51.00%	Banking
Dongguan Dalang Dongying County Bank Company Limited ^(a)	June 25, 2012 Dongguan, Guangdong	RMB 100,000,000	35.00%	35.00%	35.00%	35.00%	Banking
Zhanjiang Rural Commercial Bank Co., Ltd. (b and Note 38)	October 26, 2019 Zhanjiang, Guangdong	RMB 1,655,000,000	N/A	49.41%	49.41%	49.41%	Banking
Guangdong Chaoyang Rural Commercial Bank Co., Ltd. (Note 38)	December 27, 2020 Shantou, Guangdong	RMB 1,202,000,000	N/A	N/A	67.03%	67.03%	Banking

- (a) Dongguan Dalang Dongying County Bank Company Limited is a joint venture formed by the Bank and other 12 legal person shareholders, and the Bank holds 35% of its equity interests. The shareholders holding 16% of equity interest in Dongguan Dalang Dongying County Bank Company Limited agreed to vote in the direction of the Bank. Accordingly, the Bank effectively controls over Dongguan Dalang Dongying County Bank Company Limited through 51% of the voting rights.
- (b) Zhanjiang Rural Commercial Bank Co., Ltd. (“Zhanjiang RCB”) was formed as a result of a combination of Zhanjiang City Donghai Island Economic Development Test Zone Rural Credit Cooperatives Union (“Donghai Union”), Zhanjiang City Chikan District Rural Credit Cooperatives Union (“Chikan Union”), Zhanjiang City Potou District Rural Credit Cooperatives Union (“Potou Union”), Zhanjiang City Mazhang District Rural Credit Cooperatives Union (“Mazhang Union”). The Bank and other new investors invested by cash injection, while Donghai Union, Chikan Union, Potou Union and Mazhang Union invested by all the shares of each unions. The business combination was completed on October 26, 2019. Upon the acquisition, the Bank holds 49.41% shares and the remaining shareholdings are widely dispersed. Therefore, the Bank controls Zhanjiang RCB.
- (c) For the years ended December 31, 2018, 2019 and 2020, the statutory auditor of Huizhou Zhongkai Dongying County Bank Company Limited, Hezhou Babu Dongying County Bank Company Limited, Yunfu Xinxing Dongying County Bank Company Limited and Dongguan Dalang Dongying County Bank Company Limited is Pan-China Certified Public Accountants. For the years ended December 31, 2019 and 2020, the statutory auditor of Zhanjiang Rural Commercial Bank Co., Ltd. is Pan-China Certified Public Accountants. For the year ended December 31, 2020, the statutory auditor of Guangdong Chaoyang Rural Commercial Bank Co., Ltd. is BDO China Shu Lun Pan Certified Public Accountants.

- (d) As at December 31, 2018, 2019 and 2020 and March 31, 2021, the amount of the non-controlling interests of the subsidiaries was not material to the Group.

20 Share of profits of associates

The Group and the Bank	Years ended December 31,			Three months ended
				March 31,
	2018	2019	2020	2021
Opening balance	254,859	267,662	430,645	432,990
Increase (Note(b), (c))	—	143,211	—	—
Share of net profits	23,048	34,847	24,284	15,680
Dividends received	(10,245)	(15,075)	(21,939)	—
Ending balance	<u>267,662</u>	<u>430,645</u>	<u>432,990</u>	<u>448,670</u>

The Group's investments in associates are ordinary shares of non-listed companies, and the results of these associates and their assets and liabilities are summarised below:

Investee	Place of registration	Assets	Net assets	Revenue for the current year/period	Net profit for the current year/period	Shareholding (%)	Share of net profits
As at December 31, 2018							
Yaan Rural Commercial Bank Co., Ltd. ^(a)	Yaan, Sichuan	<u>20,690,140</u>	<u>1,784,413</u>	<u>601,494</u>	<u>153,653</u>	<u>15.00%</u>	<u>23,048</u>
As at December 31, 2019							
Yaan Rural Commercial Bank Co., Ltd. ^(a)	Yaan, Sichuan	22,677,824	1,854,303	977,690	155,697	15.00%	23,355
Guangdong Lechang Rural Commercial Bank Co., Ltd. ^(b)	Lechang, Guangdong	9,129,434	873,221	228,897	66,697	8.00%	5,335
Guangdong Xuwen Rural Commercial Bank Co., Ltd. ^(c)	Xuwen, Guangdong	<u>9,856,454</u>	<u>724,808</u>	<u>333,716</u>	<u>77,546</u>	<u>7.94%</u>	<u>6,157</u>
As at December 31, 2020							
Yaan Rural Commercial Bank Co., Ltd. ^(a)	Yaan, Sichuan	24,099,283	1,916,502	1,015,102	97,472	15.00%	14,621
Guangdong Lechang Rural Commercial Bank Co., Ltd. ^(b)	Lechang, Guangdong	9,416,615	902,626	211,515	58,357	8.00%	4,669
Guangdong Xuwen Rural Commercial Bank Co., Ltd. ^(c)	Xuwen, Guangdong	<u>10,207,552</u>	<u>735,392</u>	<u>323,959</u>	<u>62,891</u>	<u>7.94%</u>	<u>4,994</u>

<u>Investee</u>	<u>Place of registration</u>	<u>Assets</u>	<u>Net assets</u>	<u>Revenue for the current year/period</u>	<u>Net profit for the current year/period</u>	<u>Shareholding (%)</u>	<u>Share of net profits</u>
As at March 31, 2021							
Yaan Rural Commercial Bank Co., Ltd. ^(a)	Yaan, Sichuan	27,170,960	1,958,990	248,302	87,741	15.00%	13,162
Guangdong Lechang Rural Commercial Bank Co., Ltd. ^(b)	Lechang, Guangdong	9,280,237	861,643	49,483	15,775	8.00%	1,262
Guangdong Xuwen Rural Commercial Bank Co., Ltd. ^(c)	Xuwen, Guangdong	<u>10,616,607</u>	<u>758,035</u>	<u>79,279</u>	<u>15,821</u>	<u>7.94%</u>	<u>1,256</u>

- (a) One of the nine members of the board of directors of Yaan Rural Commercial Bank Co., Ltd (“Yaan RCB”) is a representative of the Group, therefore the Group is able to exercise significant influence over Yaan RCB and accounts for Yaan RCB as an associate.
- (b) In March 2019, the Group invested in Guangdong Lechang Rural Commercial Bank Co., Ltd (“Lechang RCB”) by cash amounted to RMB 83.6 million. A representative of the Group was elected as one of the nine members of the board of directors of Lechang RCB, therefore the Group is able to exercise significant influence over Lechang RCB and accounts for Lechang RCB as an associate.
- (c) Prior to August 2019, the Group held 9.8% shares of Guangdong Xuwen Rural Commercial Bank Co., Ltd (“Xuwen RCB”) with no representative in the board of director. After the restructuring of Xuwen RCB in August 2019, the Group holds 7.94% shares of Xuwen RCB amounted to RMB59.6 million, a representative of the Group was elected as one of the eight members of the board of directors of Xuwen RCB. Subsequently, the Group is able to exercise significant influence over Xuwen RCB and started to account for Xuwen RCB as an associate.

21 Property and equipment

The Group	Buildings	Decoration and renovation	Motor vehicles	Machinery and equipment	Electronic equipment	Other equipment	Construction in progress	Total
Cost								
As at January 1, 2018	1,864,167	45,960	35,907	91,395	769,498	113,323	170,986	3,091,236
Addition	8,389	—	3,029	2,002	34,161	6,531	32,097	86,209
Transfers in/(out)	46,556	—	228	—	1,216	—	(48,000)	—
Disposal	(30,266)	(1,015)	(720)	(1,937)	(55,116)	(1,421)	—	(90,475)
As at December 31, 2018	1,888,846	44,945	38,444	91,460	749,759	118,433	155,083	3,086,970
Accumulated depreciation								
As at January 1, 2018	(745,298)	(23,480)	(29,373)	(45,791)	(682,578)	(87,610)	—	(1,614,130)
Depreciation	(79,534)	(3,060)	(3,632)	(12,971)	(57,076)	(5,384)	—	(161,657)
Disposal	24,740	1,015	720	1,937	55,110	1,418	—	84,940
As at December 31, 2018	(800,092)	(25,525)	(32,285)	(56,825)	(684,544)	(91,576)	—	(1,690,847)
Net book value								
As at December 31, 2018	1,088,754	19,420	6,159	34,635	65,215	26,857	155,083	1,396,123
Cost								
As at January 1, 2019	1,888,846	44,945	38,444	91,460	749,759	118,433	155,083	3,086,970
Acquisition of a subsidiary	157,330	—	1,536	2,936	2,333	2,757	—	166,892
Addition	7,582	18	756	2,931	12,516	7,903	149,119	180,825
Transfers in/(out)	13,394	—	230	5,524	2,440	998	(22,586)	—
Disposal	(53,305)	(1,338)	(1,082)	(471)	(10,548)	(12,137)	—	(78,881)
As at December 31, 2019	2,013,847	43,625	39,884	102,380	756,500	117,954	281,616	3,355,806
Accumulated depreciation								
As at January 1, 2019	(800,092)	(25,525)	(32,285)	(56,825)	(684,544)	(91,576)	—	(1,690,847)
Depreciation	(75,387)	(1,765)	(3,061)	(7,824)	(46,668)	(20,794)	—	(155,499)
Disposal	48,571	1,131	1,081	377	9,996	7,022	—	68,178
As at December 31, 2019	(826,908)	(26,159)	(34,265)	(64,272)	(721,216)	(105,348)	—	(1,778,168)
Net book value								
As at December 31, 2019	1,186,939	17,466	5,619	38,108	35,284	12,606	281,616	1,577,638

The Group	Buildings	Decoration and renovation	Motor vehicles	Machinery and equipment	Electronic equipment	Other equipment	Construction in progress	Total
Cost								
As at January 1, 2020	2,013,847	43,625	39,884	102,380	756,500	117,954	281,616	3,355,806
Acquisition of a subsidiary	489,178	—	1,351	770	1,674	639	—	493,612
Addition	18,453	72	3,002	8,370	34,246	19,162	445,630	528,935
Transfers in/(out)	8,624	—	—	139	3,918	3,379	(16,060)	—
Disposal	(33,514)	—	(4,580)	(4,083)	(8,829)	(10,080)	—	(61,086)
As at December 31, 2020	2,496,588	43,697	39,657	107,576	787,509	131,054	711,186	4,317,267
Accumulated depreciation								
As at January 1, 2020	(826,908)	(26,159)	(34,265)	(64,272)	(721,216)	(105,348)	—	(1,778,168)
Depreciation	(75,405)	(1,520)	(3,097)	(9,097)	(26,523)	(26,530)	—	(142,172)
Disposal	22,467	—	1,865	1,499	3,393	6,973	—	36,197
As at December 31, 2020	(879,846)	(27,679)	(35,497)	(71,870)	(744,346)	(124,905)	—	(1,884,143)
Provision for impairment losses								
As at January 1, 2020	—	—	—	—	—	—	—	—
Charge for the year	(351)	—	—	—	—	—	—	(351)
As at December 31, 2020	(351)	—	—	—	—	—	—	(351)
Net book value								
As at December 31, 2020	1,616,391	16,018	4,160	35,706	43,163	6,149	711,186	2,432,773
Cost								
As at January 1, 2021	2,496,588	43,697	39,657	107,576	787,509	131,054	711,186	4,317,267
Addition	245	—	214	616	13,422	2,187	98,443	115,127
Transfers in/(out)	15,218	—	—	—	742	221	(16,181)	—
Disposal	(2,787)	(72)	(1,468)	(4,714)	(19,140)	(623)	—	(28,804)
As at March 31, 2021	2,509,264	43,625	38,403	103,478	782,533	132,839	793,448	4,403,590
Accumulated depreciation								
As at January 1, 2021	(879,846)	(27,679)	(35,497)	(71,870)	(744,346)	(124,905)	—	(1,884,143)
Depreciation	(52,553)	(364)	(831)	(2,327)	(7,039)	(5,229)	—	(68,343)
Disposal	1,818	7	170	2,652	10,692	608	—	15,947
As at March 31, 2021	(930,581)	(28,036)	(36,158)	(71,545)	(740,693)	(129,526)	—	(1,936,539)

The Group	Buildings	Decoration and renovation	Motor vehicles	Machinery and equipment	Electronic equipment	Other equipment	Construction in progress	Total
Provision for impairment losses								
As at January 1, 2021	(351)	—	—	—	—	—	—	(351)
Charge for the year	—	—	—	—	—	—	—	—
As at March 31, 2021	(351)	—	—	—	—	—	—	(351)
Net book value								
As at March 31, 2021	<u>1,578,332</u>	<u>15,589</u>	<u>2,245</u>	<u>31,933</u>	<u>41,840</u>	<u>3,313</u>	<u>793,448</u>	<u>2,466,700</u>
The Bank								
Cost								
As at January 1, 2018	1,864,167	45,960	34,361	91,395	763,891	111,988	160,938	3,072,700
Addition	3,970	—	2,674	2,002	33,418	6,327	30,929	79,320
Transfers in/(out)	35,340	—	228	—	1,216	—	(36,784)	—
Disposal	(30,267)	(1,015)	(720)	(1,937)	(55,116)	(1,421)	—	(90,476)
As at December 31, 2018	<u>1,873,210</u>	<u>44,945</u>	<u>36,543</u>	<u>91,460</u>	<u>743,409</u>	<u>116,894</u>	<u>155,083</u>	<u>3,061,544</u>
Accumulated depreciation								
As at January 1, 2018	(745,298)	(23,480)	(28,293)	(45,791)	(678,294)	(86,765)	—	(1,607,921)
Depreciation	(78,864)	(3,060)	(3,421)	(12,971)	(56,254)	(5,235)	—	(159,805)
Disposal	24,740	1,015	720	1,937	55,110	1,418	—	84,940
As at December 31, 2018	<u>(799,422)</u>	<u>(25,525)</u>	<u>(30,994)</u>	<u>(56,825)</u>	<u>(679,438)</u>	<u>(90,582)</u>	<u>—</u>	<u>(1,682,786)</u>
Net book value								
As at December 31, 2018	<u>1,073,788</u>	<u>19,420</u>	<u>5,549</u>	<u>34,635</u>	<u>63,971</u>	<u>26,312</u>	<u>155,083</u>	<u>1,378,758</u>
Cost								
As at January 1, 2019	1,873,210	44,945	36,543	91,460	743,409	116,894	155,083	3,061,544
Addition	7,582	18	723	2,931	12,102	7,649	149,120	180,125
Transfers in/(out)	13,394	—	230	5,524	2,440	998	(22,586)	—
Disposal	(53,305)	(1,338)	(1,050)	(471)	(10,454)	(12,057)	—	(78,675)
As at December 31, 2019	<u>1,840,881</u>	<u>43,625</u>	<u>36,446</u>	<u>99,444</u>	<u>747,497</u>	<u>113,484</u>	<u>281,617</u>	<u>3,162,994</u>

The Bank	Buildings	Decoration and renovation	Motor vehicles	Machinery and equipment	Electronic equipment	Other equipment	Construction in progress	Total
Accumulated depreciation								
As at January 1, 2019	(799,422)	(25,525)	(30,994)	(56,825)	(679,438)	(90,582)	—	(1,682,786)
Depreciation	(74,228)	(1,765)	(2,605)	(7,646)	(45,584)	(20,429)	—	(152,257)
Disposal	48,571	1,131	1,050	377	9,902	7,022	—	68,053
As at December 31, 2019	(825,079)	(26,159)	(32,549)	(64,094)	(715,120)	(103,989)	—	(1,766,990)
Net book value								
As at December 31, 2019	1,015,802	17,466	3,897	35,350	32,377	9,495	281,617	1,396,004
Cost								
As at January 1, 2020	1,840,881	43,625	36,446	99,444	747,497	113,484	281,617	3,162,994
Addition	7,522	72	2,497	8,223	33,359	17,407	441,158	510,238
Transfers in/(out)	8,624	—	—	—	2,501	3,302	(14,427)	—
Disposal	(31,630)	—	(509)	(1,240)	(5,331)	(8,202)	—	(46,912)
As at December 31, 2020	1,825,397	43,697	38,434	106,427	778,026	125,991	708,348	3,626,320
Accumulated depreciation								
As at January 1, 2020	(825,079)	(26,159)	(32,549)	(64,094)	(715,120)	(103,989)	—	(1,766,990)
Depreciation	(66,789)	(1,520)	(2,095)	(8,152)	(24,503)	(23,850)	—	(126,909)
Disposal	20,720	—	509	312	1,447	5,204	—	28,192
As at December 31, 2020	(871,148)	(27,679)	(34,135)	(71,934)	(738,176)	(122,635)	—	(1,865,707)
Net book value								
As at December 31, 2020	954,249	16,018	4,299	34,493	39,850	3,356	708,348	1,760,613
Cost								
As at January 1, 2021	1,825,397	43,697	38,434	106,427	778,026	125,991	708,348	3,626,320
Addition	—	—	214	544	10,463	2,083	98,173	111,477
Transfers in/(out)	15,218	—	—	—	742	221	(16,181)	—
Disposal	(400)	(72)	(170)	(451)	(19,063)	(488)	—	(20,644)
As at March 31, 2021	1,840,215	43,625	38,478	106,520	770,168	127,807	790,340	3,717,153

The Bank	Buildings	Decoration and renovation	Motor vehicles	Machinery and equipment	Electronic equipment	Other equipment	Construction in progress	Total
Accumulated depreciation								
As at January 1, 2021	(871,148)	(27,679)	(34,135)	(71,934)	(738,176)	(122,635)	—	(1,865,707)
Depreciation	(17,170)	(364)	(519)	(2,154)	(6,321)	(4,822)	—	(31,350)
Disposal	400	7	170	30	10,615	488	—	11,710
As at March 31, 2021	(887,918)	(28,036)	(34,484)	(74,058)	(733,882)	(126,969)	—	(1,885,347)
Net book value								
As at March 31, 2021	952,297	15,589	3,994	32,462	36,286	838	790,340	1,831,806

As at December 31, 2018, 2019 and 2020 and March 31, 2021, properties at original costs of RMB655 million, RMB636 million, RMB616 million and RMB519 million, with net values at RMB419 million, RMB391 million, RMB349 million and RMB290 million respectively, which the Group is still in the process of applying for the ownership certificates.

All properties of the Group and the Bank are located outside Hong Kong.

22 Right-of-use assets and lease liabilities

The Group	Property	Equipment	Land use rights	Total
Right-of-use assets				
Cost				
As at January 1, 2018	509,316	10,429	465,277	985,022
Increase	31,089	3,569	—	34,658
Decrease	(17,584)	(10,163)	(13,895)	(41,642)
As at December 31, 2018	522,821	3,835	451,382	978,038
Accumulated depreciation				
As at January 1, 2018	(86,867)	(4,753)	(179,978)	(271,598)
Increase	(93,078)	(7,274)	(8,341)	(108,693)
Decrease	17,584	10,163	6,476	34,223
As at December 31, 2018	(162,361)	(1,864)	(181,843)	(346,068)
Provision for impairment losses				
As at January 1, 2018	—	—	(2,028)	(2,028)
Increase	—	—	—	—
Decrease	—	—	7	7
As at December 31, 2018	—	—	(2,021)	(2,021)
Net book value				
As at December 31, 2018	360,460	1,971	267,518	629,949
Lease liabilities				
Net book value				
As at December 31, 2018	497,656	2,311	—	499,967

<u>The Group</u>	<u>Property</u>	<u>Equipment</u>	<u>Land use rights</u>	<u>Total</u>
Right-of-use assets				
Cost				
As at January 1, 2019	522,821	3,835	451,382	978,038
Acquisition of a subsidiary	18,627	—	18,539	37,166
Increase	42,745	2,297	14,468	59,510
Decrease	<u>(30,077)</u>	<u>(2,681)</u>	<u>(19,890)</u>	<u>(52,648)</u>
As at December 31, 2019	<u>554,116</u>	<u>3,451</u>	<u>464,499</u>	<u>1,022,066</u>
Accumulated depreciation				
As at January 1, 2019	(162,361)	(1,864)	(181,843)	(346,068)
Increase	(94,194)	(2,712)	(8,224)	(105,130)
Decrease	<u>30,077</u>	<u>2,681</u>	<u>12,297</u>	<u>45,055</u>
As at December 31, 2019	<u>(226,478)</u>	<u>(1,895)</u>	<u>(177,770)</u>	<u>(406,143)</u>
Provision for impairment losses				
As at January 1, 2019	—	—	(2,021)	(2,021)
Increase	—	—	(345)	(345)
Decrease	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
As at December 31, 2019	<u>—</u>	<u>—</u>	<u>(2,366)</u>	<u>(2,366)</u>
Net book value				
As at December 31, 2019	<u>327,638</u>	<u>1,556</u>	<u>284,363</u>	<u>613,557</u>
Lease liabilities				
Net book value				
As at December 31, 2019	<u>454,602</u>	<u>1,781</u>	<u>—</u>	<u>456,383</u>

<u>The Group</u>	<u>Property</u>	<u>Equipment</u>	<u>Land use rights</u>	<u>Total</u>
Right-of-use assets				
Cost				
As at January 1, 2020	554,116	3,451	464,499	1,022,066
Acquisition of a subsidiary	50,338	—	—	50,338
Increase	50,822	3,388	7,153	61,363
Decrease	<u>(19,552)</u>	<u>(2,687)</u>	<u>(13,544)</u>	<u>(35,783)</u>
As at December 31, 2020	<u>635,724</u>	<u>4,152</u>	<u>458,108</u>	<u>1,097,984</u>
Accumulated depreciation				
As at January 1, 2020	(226,478)	(1,895)	(177,770)	(406,143)
Increase	(95,189)	(3,201)	(8,627)	(107,017)
Decrease	<u>19,502</u>	<u>2,687</u>	<u>7,506</u>	<u>29,695</u>
As at December 31, 2020	<u>(302,165)</u>	<u>(2,409)</u>	<u>(178,891)</u>	<u>(483,465)</u>
Provision for impairment losses				
As at January 1, 2020	—	—	(2,366)	(2,366)
Increase	—	—	—	—
Decrease	<u>—</u>	<u>—</u>	<u>11</u>	<u>11</u>
As at December 31, 2020	<u>—</u>	<u>—</u>	<u>(2,355)</u>	<u>(2,355)</u>
Net book value				
As at December 31, 2020	<u>333,559</u>	<u>1,743</u>	<u>276,862</u>	<u>612,164</u>
Lease liabilities				
Net book value				
As at December 31, 2020	<u>449,123</u>	<u>1,737</u>	<u>—</u>	<u>450,860</u>

<u>The Group</u>	<u>Property</u>	<u>Equipment</u>	<u>Land use rights</u>	<u>Total</u>
<u>Right-of-use assets</u>				
Cost				
As at January 1, 2021	635,724	4,152	458,108	1,097,984
Increase	12,579	2,120	—	14,699
Decrease	<u>(10,116)</u>	<u>(304)</u>	<u>(1,061)</u>	<u>(11,481)</u>
As at March 31, 2021	<u>638,187</u>	<u>5,968</u>	<u>457,047</u>	<u>1,101,202</u>
Accumulated depreciation				
As at January 1, 2021	(302,165)	(2,409)	(178,891)	(483,465)
Increase	(28,301)	(779)	(2,156)	(31,236)
Decrease	<u>10,116</u>	<u>304</u>	<u>584</u>	<u>11,004</u>
As at March 31, 2021	<u>(320,350)</u>	<u>(2,884)</u>	<u>(180,463)</u>	<u>(503,697)</u>
Provision for impairment losses				
As at January 1, 2021	—	—	(2,355)	(2,355)
Increase	—	—	—	—
Decrease	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
As at March 31, 2021	<u>—</u>	<u>—</u>	<u>(2,355)</u>	<u>(2,355)</u>
Net book value				
As at March 31, 2021	<u>317,837</u>	<u>3,084</u>	<u>274,229</u>	<u>595,150</u>
<u>Lease liabilities</u>				
Net book value				
As at March 31, 2021	<u>430,054</u>	<u>3,083</u>	<u>—</u>	<u>433,137</u>

<u>The Bank</u>	<u>Property</u>	<u>Equipment</u>	<u>Land use rights</u>	<u>Total</u>
Right-of-use assets				
Cost				
As at January 1, 2018	468,996	10,429	465,277	944,702
Increase	27,714	3,569	—	31,283
Decrease	<u>(17,119)</u>	<u>(10,163)</u>	<u>(13,895)</u>	<u>(41,177)</u>
As at December 31, 2018	<u>479,591</u>	<u>3,835</u>	<u>451,382</u>	<u>934,808</u>
Accumulated depreciation				
As at January 1, 2018	(80,200)	(4,753)	(179,978)	(264,931)
Increase	(85,933)	(7,274)	(8,341)	(101,548)
Decrease	<u>17,119</u>	<u>10,163</u>	<u>6,473</u>	<u>33,755</u>
As at December 31, 2018	<u>(149,014)</u>	<u>(1,864)</u>	<u>(181,846)</u>	<u>(332,724)</u>
Provision for impairment losses				
As at January 1, 2018	—	—	(2,028)	(2,028)
Increase	—	—	—	—
Decrease	<u>—</u>	<u>—</u>	<u>7</u>	<u>7</u>
As at December 31, 2018	<u>—</u>	<u>—</u>	<u>(2,021)</u>	<u>(2,021)</u>
Net book value				
As at December 31, 2018	<u>330,577</u>	<u>1,971</u>	<u>267,515</u>	<u>600,063</u>
Lease liabilities				
Net book value				
As at December 31, 2018	<u>466,426</u>	<u>2,311</u>	<u>—</u>	<u>468,737</u>

<u>The Bank</u>	<u>Property</u>	<u>Equipment</u>	<u>Land use rights</u>	<u>Total</u>
Right-of-use assets				
Cost				
As at January 1, 2019	479,591	3,835	451,382	934,808
Increase	35,595	2,297	14,468	52,360
Decrease	<u>(29,792)</u>	<u>(2,681)</u>	<u>(19,890)</u>	<u>(52,363)</u>
As at December 31, 2019	<u>485,394</u>	<u>3,451</u>	<u>445,960</u>	<u>934,805</u>
Accumulated depreciation				
As at January 1, 2019	(149,014)	(1,864)	(181,846)	(332,724)
Increase	(84,703)	(2,712)	(8,148)	(95,563)
Decrease	<u>29,792</u>	<u>2,681</u>	<u>12,297</u>	<u>44,770</u>
As at December 31, 2019	<u>(203,925)</u>	<u>(1,895)</u>	<u>(177,697)</u>	<u>(383,517)</u>
Provision for impairment losses				
As at January 1, 2019	—	—	(2,021)	(2,021)
Increase	—	—	—	—
Decrease	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
As at December 31, 2019	<u>—</u>	<u>—</u>	<u>(2,021)</u>	<u>(2,021)</u>
Net book value				
As at December 31, 2019	<u>281,469</u>	<u>1,556</u>	<u>266,242</u>	<u>549,267</u>
Lease liabilities				
Net book value				
As at December 31, 2019	<u>406,751</u>	<u>1,781</u>	<u>—</u>	<u>408,532</u>

<u>The Bank</u>	<u>Property</u>	<u>Equipment</u>	<u>Land use rights</u>	<u>Total</u>
Right-of-use assets				
Cost				
As at January 1, 2020	485,394	3,451	445,960	934,805
Increase	30,140	3,388	7,153	40,681
Decrease	<u>(11,308)</u>	<u>(2,687)</u>	<u>(12,589)</u>	<u>(26,584)</u>
As at December 31, 2020	<u>504,226</u>	<u>4,152</u>	<u>440,524</u>	<u>948,902</u>
Accumulated depreciation				
As at January 1, 2020	(203,925)	(1,895)	(177,697)	(383,517)
Increase	(77,532)	(3,201)	(8,128)	(88,861)
Decrease	<u>11,258</u>	<u>2,687</u>	<u>7,418</u>	<u>21,363</u>
As at December 31, 2020	<u>(270,199)</u>	<u>(2,409)</u>	<u>(178,407)</u>	<u>(451,015)</u>
Provision for impairment losses				
As at January 1, 2020	—	—	(2,021)	(2,021)
Increase	—	—	—	—
Decrease	<u>—</u>	<u>—</u>	<u>11</u>	<u>11</u>
As at December 31, 2020	<u>—</u>	<u>—</u>	<u>(2,010)</u>	<u>(2,010)</u>
Net book value				
As at December 31, 2020	<u>234,027</u>	<u>1,743</u>	<u>260,107</u>	<u>495,877</u>
Lease liabilities				
Net book value				
As at December 31, 2020	<u>346,736</u>	<u>1,737</u>	<u>—</u>	<u>348,473</u>

<u>The Bank</u>	<u>Property</u>	<u>Equipment</u>	<u>Land use rights</u>	<u>Total</u>
Right-of-use assets				
Cost				
As at January 1, 2021	504,226	4,152	440,524	948,902
Increase	9,087	2,120	—	11,207
Decrease	(9,820)	(304)	(526)	(10,650)
As at March 31, 2021	<u>503,493</u>	<u>5,968</u>	<u>439,998</u>	<u>949,459</u>
Accumulated depreciation				
As at January 1, 2021	(270,199)	(2,409)	(178,407)	(451,015)
Increase	(20,749)	(779)	(2,034)	(23,562)
Decrease	9,820	304	326	10,450
As at March 31, 2021	<u>(281,128)</u>	<u>(2,884)</u>	<u>(180,115)</u>	<u>(464,127)</u>
Provision for impairment losses				
As at January 1, 2021	—	—	(2,010)	(2,010)
Increase	—	—	—	—
Decrease	—	—	—	—
As at March 31, 2021	<u>—</u>	<u>—</u>	<u>(2,010)</u>	<u>(2,010)</u>
Net book value				
As at March 31, 2021	<u>222,365</u>	<u>3,084</u>	<u>257,873</u>	<u>483,322</u>
Lease liabilities				
Net book value				
As at March 31, 2021	<u>331,463</u>	<u>3,083</u>	<u>—</u>	<u>334,546</u>

23 Goodwill

	<u>As at December 31, 2018</u>	<u>As at December 31, 2019</u>	<u>As at December 31, 2020</u>	<u>As at March 31, 2021</u>
Zhanjiang RCB (Note 38)	—	181,381	181,381	181,381
Chaoyang RCB (Note 38)	—	—	339,140	339,140
Impairment allowance ⁽ⁱ⁾	—	—	—	—
	<u>—</u>	<u>181,381</u>	<u>520,521</u>	<u>520,521</u>

(i) Impairment

For the business combination of Zhanjiang RCB and Chaoyang RCB, the recoverable amount of the asset group is based on the six-year budget and ten-year budget approved by the management respectively, which is then

estimated based on a fixed growth rate (as described in the table below) and calculated using the cash flow forecast method.

Cash flow projections periods of the Group are determined based on the forecast of the local economic situation, the banking industry, and with reference to the Group's past operating experience. The Group estimated that Zhanjiang City and Shantou City, where the two banks are located, will experience a relatively high growth for a period more than 5 years until the economic growths of these two cities reach a stable level. In addition, the development of the banking industry is highly in line with the local economic development. Accordingly, the Group has incorporated the aforementioned factors into the cash projection by using six and ten years for Zhanjiang RCB and Chaoyang RCB respectively to reflect management's estimation of the future local economic forecasts and the related banking business growth.

	Zhanjiang RCB			Chaoyang RCB	
	As at December 31, 2019	As at December 31, 2020	As at March 31, 2021	As at December 31, 2020	As at March 31, 2021
Stable period growth rate	3.00%	3.00%	3.00%	3.00%	3.00%
Pre-tax discount rate	18.07%	19.64%	19.69%	14.96%	15.02%

The growth rate is the weighted average growth rate used by the Group to forecast the cash flow after six years for Zhanjiang RCB and ten years for Chaoyang RCB respectively, which is consistent with the forecast data contained in the industry report. The management uses the cost of equity as the discount rate which can reflect the specific risks of the relevant asset group. The above assumptions are used to analyse the recoverable amounts of the asset group within the business division.

The amounts of recoverable amount exceeding the carrying amount are:

	As at December 31, 2018	As at December 31, 2019	As at December 31, 2020	As at March 31, 2021
Zhanjiang RCB	—	406,536	15,341	71,034
Chaoyang RCB	—	—	298,314	305,351

The recoverable amounts of the asset group would equal its carrying amount if each of the key assumptions were to change as follows, with all other variables held constant:

	Zhanjiang RCB			Chaoyang RCB	
	As at December 31, 2019	As at December 31, 2020	As at March 31, 2021	As at December 31, 2020	As at March 31, 2021
Stable period growth rate	-3.46%	-0.09%	-0.44%	-2.45%	-2.88%
Pre-tax discount rate	1.64%	0.08%	0.36%	1.67%	1.72%

The Directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified other instances that could cause the carrying amount of the CGUs to exceed its recoverable amount.

24 Deferred income tax

Deferred tax assets and liabilities can be offset only when the Group has the right to offset income tax assets and liabilities within the Group and the deferred tax assets and liabilities are associated with the same tax authority.

(1) Main items of deferred tax assets and liabilities and their movements are as follows:

The Group	Provision for ECL/asset impairment	Changes in fair		Accelerated		Fair value gain from business combination	Total
		value of financial investments	Employee benefits payable	depreciation of property and equipment	Deductible tax losses		
As at January 1, 2018	1,557,252	440,942	146,627	—	—	—	2,144,821
Recognised in profit or loss	136,954	(86,891)	61,684	(6,993)	—	—	104,754
Recognised in other comprehensive income	(149,710)	(416,094)	—	—	—	—	(565,804)
As at December 31, 2018	<u>1,544,496</u>	<u>(62,043)</u>	<u>208,311</u>	<u>(6,993)</u>	<u>—</u>	<u>—</u>	<u>1,683,771</u>
As at January 1, 2019	1,544,496	(62,043)	208,311	(6,993)	—	—	1,683,771
Recognised in profit or loss	284,553	(23,051)	94,705	(2,330)	4,028	45	357,950
Recognised in other comprehensive income	(424,731)	205,640	—	—	—	—	(219,091)
Acquisition of a subsidiary	201,046	—	4,045	—	—	(9,606)	195,485
As at December 31, 2019	<u>1,605,364</u>	<u>120,546</u>	<u>307,061</u>	<u>(9,323)</u>	<u>4,028</u>	<u>(9,561)</u>	<u>2,018,115</u>
As at January 1, 2020	1,605,364	120,546	307,061	(9,323)	4,028	(9,561)	2,018,115
Recognised in profit or loss	(12,094)	670,879	(13,103)	(6,410)	15,019	271	654,562
Recognised in other comprehensive income	(24,158)	376,416	—	—	—	—	352,258
Acquisition of a subsidiary	141,588	769	—	—	—	(113,109)	29,248
As at December 31, 2020	<u>1,710,700</u>	<u>1,168,610</u>	<u>293,958</u>	<u>(15,733)</u>	<u>19,047</u>	<u>(122,399)</u>	<u>3,054,183</u>
As at January 1, 2021	1,710,700	1,168,610	293,958	(15,733)	19,047	(122,399)	3,054,183
Recognised in profit or loss	28,976	(26,933)	(3,970)	569	—	7,828	6,470
Recognised in other comprehensive income	(25,877)	54,297	—	—	—	—	28,420
As at March 31, 2021	<u>1,713,799</u>	<u>1,195,974</u>	<u>289,988</u>	<u>(15,164)</u>	<u>19,047</u>	<u>(114,571)</u>	<u>3,089,073</u>

<u>The Bank</u>	<u>Provision for ECL/asset impairment</u>	<u>Changes in fair value of financial investments</u>	<u>Employee benefits payable</u>	<u>Accelerated depreciation of property and equipment</u>	<u>Total</u>
As at January 1, 2018	1,452,378	439,023	146,627	—	2,038,028
Recognised in profit or loss	118,865	(78,617)	61,684	(6,993)	94,939
Recognised in other comprehensive income	<u>(148,159)</u>	<u>(406,304)</u>	<u>—</u>	<u>—</u>	<u>(554,463)</u>
As at December 31, 2018	<u>1,423,084</u>	<u>(45,898)</u>	<u>208,311</u>	<u>(6,993)</u>	<u>1,578,504</u>
As at January 1, 2019	1,423,084	(45,898)	208,311	(6,993)	1,578,504
Recognised in profit or loss	402,661	(14,519)	94,704	(2,330)	480,516
Recognised in other comprehensive income	<u>(417,941)</u>	<u>208,143</u>	<u>—</u>	<u>—</u>	<u>(209,798)</u>
As at December 31, 2019	<u>1,407,804</u>	<u>147,726</u>	<u>303,015</u>	<u>(9,323)</u>	<u>1,849,222</u>
As at January 1, 2020	1,407,804	147,726	303,015	(9,323)	1,849,222
Recognised in profit or loss	(57,287)	672,198	(12,700)	(6,409)	595,802
Recognised in other comprehensive income	<u>(31,170)</u>	<u>351,888</u>	<u>—</u>	<u>—</u>	<u>320,718</u>
As at December 31, 2020	<u>1,319,347</u>	<u>1,171,812</u>	<u>290,315</u>	<u>(15,732)</u>	<u>2,765,742</u>
As at January 1, 2021	1,319,347	1,171,812	290,315	(15,732)	2,765,742
Recognised in profit or loss	45,731	(23,996)	(9,326)	569	12,978
Recognised in other comprehensive income	<u>(23,275)</u>	<u>54,692</u>	<u>—</u>	<u>—</u>	<u>31,417</u>
As at March 31, 2021	<u>1,341,803</u>	<u>1,202,508</u>	<u>280,989</u>	<u>(15,163)</u>	<u>2,810,137</u>

- (2) The deferred tax assets and liabilities before offsetting and the corresponding temporary differences are as follows:

The Group	As at December 31,						As at March 31,	
	2018		2019		2020		2021	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets:								
Provision for ECL/asset impairment	6,197,791	1,544,496	6,589,674	1,605,364	6,842,801	1,710,700	6,870,560	1,713,799
Changes in fair value of financial investments	—	—	482,186	120,546	4,674,440	1,168,610	4,783,896	1,195,974
Employee benefits payable	833,242	208,311	1,228,240	307,061	1,175,832	293,958	1,159,952	289,988
Deductible tax losses	—	—	16,111	4,028	76,188	19,047	76,188	19,047
Sub-total	7,031,033	1,752,807	8,316,211	2,036,999	12,769,261	3,192,315	12,890,596	3,218,808
Deferred tax liabilities:								
Changes in fair value of financial investments	(248,171)	(62,043)	—	—	—	—	—	—
Fair value gain from business combination	—	—	(38,242)	(9,561)	(489,596)	(122,399)	(458,284)	(114,571)
Accelerated depreciation of property and equipment	(27,974)	(6,993)	(37,294)	(9,323)	(62,932)	(15,733)	(60,652)	(15,164)
Sub-total	(276,145)	(69,036)	(75,536)	(18,884)	(552,528)	(138,132)	(518,936)	(129,735)
Total	6,754,888	1,683,771	8,240,675	2,018,115	12,216,733	3,054,183	12,371,660	3,089,073

The Bank	As at December 31,						As at March 31,	
	2018		2019		2020		2021	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
Deferred tax assets:								
Provision for ECL/asset impairment	5,692,336	1,423,084	5,631,223	1,407,804	5,277,388	1,319,347	5,367,212	1,341,803
Changes in fair value of financial investments	—	—	590,902	147,726	4,687,247	1,171,812	4,810,033	1,202,508
Employee benefits payable	833,242	208,311	1,212,059	303,015	1,161,261	290,315	1,123,952	280,988
Sub-total	6,525,578	1,631,395	7,434,184	1,858,545	11,125,896	2,781,474	11,301,197	2,825,299
Deferred tax liabilities:								
Changes in fair value of financial investments	(183,593)	(45,898)	—	—	—	—	—	—
Accelerated depreciation of property and equipment	(27,974)	(6,993)	(37,294)	(9,323)	(62,928)	(15,732)	(60,648)	(15,162)
Sub-total	(211,567)	(52,891)	(37,294)	(9,323)	(62,928)	(15,732)	(60,648)	(15,162)
Total	6,314,011	1,578,504	7,396,890	1,849,222	11,062,968	2,765,742	11,240,549	2,810,137

As at December 31, 2019, 2020 and March 31, 2021, the Group did not recognise deferred income tax asset in respect of cumulative tax loss of approximately RMB320 million, RMB276 million and RMB269 million respectively. The outcome of their actual utilisation may be different from management's estimation. These tax losses will expire in 2024 and 2025.

25 Other assets

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Interest receivable ^(a)	26,726	36,636	92,866	103,711
Prepayments for equity investments ^(b)	1,533,600	—	—	—
Long-term deferred expenses	169,726	170,378	151,239	151,658
Receivables from disposal of long-term assets	150,337	195,269	192,285	192,285
Clearing and settlement	22,723	73,563	384,179	97,323
Prepayments for purchase of software	114,853	161,301	70,061	68,571
Precious metals	45,498	152,078	302,222	243,952
Investment properties ^(c)	17,599	15,570	13,900	13,482
Advances to suppliers	13,256	201,680	191,974	256,620
Refundable deposits	8,408	12,343	13,385	24,038
Intangible assets — software ^(d)	11,975	5,837	101,401	90,927
Foreclosed assets ^(e)	6,812	37,761	148,557	148,557
Others	32,117	22,269	48,505	55,628
Total	2,153,630	1,084,685	1,710,574	1,446,752
The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Interest receivable ^(a)	24,637	34,834	90,024	93,914
Prepayments for equity investments ^(b)	1,533,600	—	—	—
Long-term deferred expenses	162,648	153,681	139,022	138,131
Receivables from disposal of long-term assets	150,337	195,269	192,285	192,285
Clearing and settlement	22,723	73,563	384,179	97,323
Prepayments for purchase of software	114,853	161,301	70,061	68,571
Precious metals	45,498	152,078	302,222	243,952
Investment properties ^(c)	17,599	15,570	13,900	13,482
Advances to suppliers	8,687	187,023	143,593	208,233
Refundable deposits	8,408	12,343	13,385	24,038
Intangible assets — software ^(d)	11,975	5,837	100,538	90,077
Foreclosed assets ^(e)	3,112	—	—	—
Others	28,234	21,421	48,505	55,626
Total	2,132,311	1,012,920	1,497,714	1,225,632

(a) Interest receivable

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Loans and advances to customers	51,262	55,801	77,152	85,237
Financial investments	22,015	85,571	188,774	195,778
Provision for ECL	(46,551)	(104,736)	(173,060)	(177,304)
Total	26,726	36,636	92,866	103,711
The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Loans and advances to customers	49,173	53,065	60,101	70,136
Financial investments	22,015	85,505	188,774	189,127
Provision for ECL	(46,551)	(103,736)	(158,851)	(165,349)
Total	24,637	34,834	90,024	93,914

(b) Prepayments for equity investments comprise of prepayments for Lechang RCB and Zhanjiang RCB. Further details are set out in Note 20 and Note 38 respectively.

(c) Investment properties

The Group and the Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Cost				
Opening balance	104,131	79,306	70,801	68,290
Disposal	(24,825)	(8,505)	(2,511)	(1,054)
Ending balance	79,306	70,801	68,290	67,236
Accumulated amortization				
Opening balance	(81,690)	(61,707)	(55,231)	(54,390)
Depreciation	(2,208)	(1,721)	(1,670)	(418)
Disposal	22,191	8,197	2,511	1,054
Ending balance	(61,707)	(55,231)	(54,390)	(53,754)
Net book value				
Ending balance	17,599	15,570	13,900	13,482

(d) Intangible assets—software

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Cost				
Opening balance	70,022	80,630	80,630	219,105
Acquisition of a subsidiary	—	—	124	—
Addition	12,317	—	138,645	2,690
Disposal	(1,709)	—	(294)	—
Ending balance	80,630	80,630	219,105	221,795
Accumulated amortization				
Opening balance	(59,274)	(68,655)	(74,793)	(117,704)
Depreciation	(9,949)	(6,138)	(42,911)	(13,164)
Disposal	568	—	—	—
Ending balance	(68,655)	(74,793)	(117,704)	(130,868)
Net book value				
Ending balance	11,975	5,837	101,401	90,927
The Bank				
As at December 31,				
	2018	2019	2020	As at March 31,
				2021
Cost				
Opening balance	70,022	80,630	80,630	218,126
Addition	12,317	—	137,790	2,687
Disposal	(1,709)	—	(294)	—
Ending balance	80,630	80,630	218,126	220,813
Accumulated amortization				
Opening balance	(59,274)	(68,655)	(74,793)	(117,588)
Depreciation	(9,949)	(6,138)	(42,795)	(13,148)
Disposal	568	—	—	—
Ending balance	(68,655)	(74,793)	(117,588)	(130,736)
Net book value				
Ending balance	11,975	5,837	100,538	90,077

(e) Foreclosed assets

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Property and equipment	224,549	264,951	272,481	272,481
Land use rights	—	22,394	163,767	148,037
Others	—	—	2,844	2,844
	224,549	287,345	439,092	423,362
Provision for impairment losses	(217,737)	(249,584)	(290,535)	(274,805)
Total	6,812	37,761	148,557	148,557
The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Property and equipment	220,849	220,849	220,849	220,849
Provision for impairment losses	(217,737)	(220,849)	(220,849)	(220,849)
Total	3,112	—	—	—

Foreclosed assets are disposed once they can be sold and net proceeds from sales can be used to offset the balance of debts.

26 Borrowings from central banks

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Refinancing loans	644,000	2,599,000	6,224,370	4,487,538
Rediscount bills	—	—	271,215	145,670
Medium-term Lending Facility	—	—	24,000,000	24,900,000
Interest accrued	513	2,164	157,773	337,394
Total	644,513	2,601,164	30,653,358	29,870,602
The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Refinancing loans	600,000	2,538,000	5,810,882	4,122,924
Rediscount bills	—	—	271,215	145,670
Medium-term Lending Facility	—	—	24,000,000	24,900,000
Interest accrued	504	2,133	157,499	326,955
Total	600,504	2,540,133	30,239,596	29,495,549

(a) As of December 31, 2018, 2019 and 2020 and March 31, 2021, borrowings from central banks were refinancing loans, rediscount bills and Medium-term Lending Facility. The collateral provided by the Group and the Bank under borrowing agreements are disclosed in Note 39 to this report.

27 **Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions**

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Deposits from domestic banks	21,846,286	15,832,080	11,339,622	16,870,060
Deposits from other domestic financial institutions	7,303,423	3,148,143	5,861,294	9,171,971
Placements from domestic banks	1,601,060	1,250,000	700,000	1,700,000
Bonds sold under repurchase agreements ^(a)	9,808,400	15,631,564	14,974,791	12,317,467
Notes sold under repurchase agreements ^(a)	<u>12,391,857</u>	<u>10,307,419</u>	<u>10,491,609</u>	<u>5,418,873</u>
Sub-total	<u>52,951,026</u>	<u>46,169,206</u>	<u>43,367,316</u>	<u>45,478,371</u>
Accrued interest	<u>253,352</u>	<u>203,953</u>	<u>114,901</u>	<u>112,424</u>
Total	<u>53,204,378</u>	<u>46,373,159</u>	<u>43,482,217</u>	<u>45,590,795</u>
The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Deposits from domestic banks	21,759,896	16,465,238	11,564,959	17,007,013
Deposits from other domestic financial institutions	7,303,423	3,148,143	5,861,294	9,171,971
Placements from domestic banks	1,601,060	1,250,000	700,000	1,700,000
Bonds sold under repurchase agreements ^(a)	9,758,400	15,403,750	13,166,794	10,964,090
Notes sold under repurchase agreements ^(a)	<u>12,391,857</u>	<u>10,307,419</u>	<u>10,491,609</u>	<u>5,418,873</u>
Sub-total	<u>52,814,636</u>	<u>46,574,550</u>	<u>41,784,656</u>	<u>44,261,947</u>
Accrued interest	<u>250,871</u>	<u>210,070</u>	<u>114,433</u>	<u>111,782</u>
Total	<u>53,065,507</u>	<u>46,784,620</u>	<u>41,899,089</u>	<u>44,373,729</u>

(a) The securities provided by the Group and the Bank as collateral under repurchase agreements are disclosed in Note 39 to this report.

28 Deposits from customers

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Corporate demand deposits	61,001,253	70,437,895	86,787,163	84,524,580
Corporate time deposits	46,552,750	56,061,572	61,514,754	70,112,392
Individual demand deposits	79,817,176	91,456,565	102,798,196	101,253,836
Individual time deposits	71,629,861	88,953,483	118,593,507	125,826,008
Pledged deposits	2,308,782	2,271,597	2,761,014	3,013,769
Other deposits	199,746	737,428	135,157	170,220
Sub-total	261,509,568	309,918,540	372,589,791	384,900,805
Accrued interest	3,495,324	4,298,465	4,959,103	4,740,499
Total	265,004,892	314,217,005	377,548,894	389,641,304
The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Corporate demand deposits	60,045,606	66,684,840	78,761,545	76,991,378
Corporate time deposits	45,975,891	53,883,232	59,035,574	67,480,950
Individual demand deposits	79,457,871	84,872,231	91,649,454	91,002,518
Individual time deposits	68,960,375	74,012,893	80,696,328	83,765,686
Pledged deposits	2,253,462	2,194,608	2,608,065	2,802,865
Other deposits	199,364	723,723	125,721	161,995
Sub-total	256,892,569	282,371,527	312,876,687	322,205,392
Accrued interest	3,449,251	3,787,979	3,490,465	3,315,505
Total	260,341,820	286,159,506	316,367,152	325,520,897

29 Debt securities issued

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Interbank certificates of deposit ^(a)	51,571,438	52,101,593	39,293,946	41,171,495
Tier 2 capital bonds ^(b)	3,994,054	3,994,802	3,995,533	3,995,657
Green financial bonds ^(c)	—	1,998,565	2,842,847	2,841,399
Small and micro enterprises bonds ^(d)	—	—	1,948,809	4,618,737
Sannong financial bonds ^(e)	—	—	1,918,748	1,918,527
Sub-total	55,565,492	58,094,960	49,999,883	54,545,815
Accrued interest	111,233	176,710	249,354	235,086
Total	55,676,725	58,271,670	50,249,237	54,780,901

The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Interbank certificates of deposit ^(a)	51,523,326	52,251,593	39,393,946	41,442,876
Tier 2 capital bonds ^(b)	3,994,054	3,994,802	3,995,533	3,995,657
Green financial bonds ^(c)	—	1,998,565	2,998,847	2,997,399
Small and micro enterprises bonds ^(d)	—	—	1,998,809	4,998,737
Sannong financial bonds ^(e)	—	—	1,998,748	1,998,527
Sub-total	55,517,380	58,244,960	50,385,883	55,433,196
Accrued interest	111,233	176,710	249,354	235,086
Total	55,628,613	58,421,670	50,635,237	55,668,282

(a) Interbank certificates of deposit are as follows:

	As at December 31,			As at March 31,
	2018	2019	2020	2021
Reference rates of return	2.70%-5.12%	2.77%-4.13%	1.80%-3.35%	1.86%-3.35%
Original maturity	1 to 12 months	6 to 12 months	3 to 12 months	3 to 12 months

As at December 31, 2018, 2019 and 2020 and March 31, 2021, the Group did not have any overdue principal and interest on interbank certificates of deposit or other defaults.

(b) The Bank issued a 10-year fixed-rate Tier 2 capital bonds with a total amount of RMB4,000 million in June 2017 at a coupon rate of 5.00% per annum, and the bond pays interest annually. With the approval of the regulators, when in compliance with regulatory capital requirements or an equivalent or higher quality capital instrument is available to replace the bond, the Bank has the option to redeem part or all of the bond at par value on June 12, 2022. If the Bank does not exercise its right of redemption on June 12, 2022, the Bank will continue to pay interest at the coupon rate at 5.00% per annum. The bond has the write-down feature of Tier 2 capital instruments, which allows the Bank to write down the entire principal of the bond and not to pay any accumulated unpaid interests when a regulatory triggering event as stipulated in the offering documents occurs. Based on relevant provisions of CBIRC, the Tier 2 capital bonds meets the criteria of a qualified Tier 2 capital instrument.

- (c) The Bank issued 3-year green financial bonds with a total amount of RMB2,000 million and a total amount of RMB1,000 million in January 2019 and December 2020 at a coupon rate of 3.50% and 3.75% per annum, and the bonds pay interest annually.
- (d) The Bank issued a 3-year fixed rate bond for small and micro enterprises amounting to RMB2,000 million in March 2020 at a coupon rate of 2.94% per annum, and the bond pays interest annually. The Bank issued the first phase and second phase of 3-year fixed rate special financial bonds for small and micro enterprise amounting to RMB2,000 million and RMB1,000 million in March 2021, with at coupon rate of 3.58% and 3.52% per annum, respectively, and the bonds pay interest annually.
- (e) The Bank issued a 3-year fixed rate bond for Sannong amounting to RMB2,000 million in September 2020 at a coupon rate of 3.62% per annum, and the bond pays interest annually.

30 Taxes payable

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Income tax	262,996	509,366	418,355	638,722
Land appreciation tax	83,617	148,827	119,238	119,092
VAT and others	189,800	255,628	285,142	303,010
Total	536,413	913,821	822,735	1,060,824
The Bank	As at December 31,			As at March 31,
	2018	2019	2020	2021
Income tax	261,760	451,620	418,345	633,678
Land appreciation tax	83,617	148,827	119,238	119,092
VAT and others	187,894	248,835	282,996	270,869
Total	533,271	849,282	820,579	1,023,639

(b) Employee benefits payable

<u>The Group</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Wages and salaries, bonuses, allowances and subsidies	1,158,061	1,488,742	1,555,549	1,289,794
Labor union funds and employee education funds	98,719	120,020	162,412	162,887
Social security and benefits	89,261	185,828	181,804	193,757
Defined contribution plans payable				
— Enterprise annuity scheme	40,488	53,866	144,967	120,677
Total	1,386,529	1,848,456	2,044,732	1,767,115
<u>The Bank</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Wages and salaries, bonuses, allowances and subsidies	1,147,900	1,452,187	1,419,063	1,202,219
Labor union funds and employee education funds	98,719	119,019	159,055	160,093
Social security and benefits	89,261	145,412	154,684	168,252
Defined contribution plans payable				
— Enterprise annuity scheme	40,488	53,837	139,953	114,794
Total	1,376,368	1,770,455	1,872,755	1,645,358

(c) Provisions

<u>The Group</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Loan commitments and financial guarantee contracts ⁽ⁱ⁾	52,581	59,250	64,713	103,294
<u>The Bank</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Loan commitments and financial guarantee contracts ⁽ⁱ⁾	52,581	59,250	64,713	102,727

- (i) Analysis of movements in provisions of loan commitments and financial guarantee contracts measured using the ECL model.

The Group and the Bank	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2018	44,753	5,012	3,847	53,612
Originated or purchased	31,958	—	—	31,958
Repayment and transfer out	(24,494)	(3,280)	(3,736)	(31,510)
Remeasurement ⁽ⁱ⁾	(2,334)	806	49	(1,479)
Net transfers in :				
— Stage 1	1,682	—	—	1,682
— Stage 2	—	(1,598)	—	(1,598)
— Stage 3	—	—	(84)	(84)
As at December 31, 2018	<u>51,565</u>	<u>940</u>	<u>76</u>	<u>52,581</u>
The Group and the Bank	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2019	51,565	940	76	52,581
Originated or purchased	31,427	—	—	31,427
Repayment and transfer out	(32,468)	(158)	(1)	(32,627)
Remeasurement ⁽ⁱ⁾	3,230	915	3,724	7,869
Net transfers in :				
— Stage 1	(462)	—	—	(462)
— Stage 2	—	(726)	—	(726)
— Stage 3	—	—	1,188	1,188
As at December 31, 2019	<u>53,292</u>	<u>971</u>	<u>4,987</u>	<u>59,250</u>
The Group and the Bank	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2020	53,292	971	4,987	59,250
Originated or purchased	36,641	—	—	36,641
Repayment and transfer out	(32,347)	739	356	(31,252)
Remeasurement ⁽ⁱ⁾	(3,402)	312	3,164	74
Net transfers in :				
— Stage 1	1,444	—	—	1,444
— Stage 2	—	(1,513)	—	(1,513)
— Stage 3	—	—	69	69
As at December 31, 2020	<u>55,628</u>	<u>509</u>	<u>8,576</u>	<u>64,713</u>

The Group	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
As at January 1, 2021	55,628	509	8,576	64,713
Originated or purchased	25,693	—	—	25,693
Repayment and transfer out	(41,145)	(347)	(5,520)	(47,012)
Remeasurement ⁽ⁱ⁾	16,440	37,380	6,080	59,900
Net transfers in :				
— Stage 1	(2,668)	—	—	(2,668)
— Stage 2	—	2,777	—	2,777
— Stage 3	—	—	(109)	(109)
As at March 31, 2021	<u>53,948</u>	<u>40,319</u>	<u>9,027</u>	<u>103,294</u>
The Bank	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
As at January 1, 2021	55,628	509	8,576	64,713
Originated or purchased	25,693	—	—	25,693
Repayment and transfer out	(41,145)	(347)	(5,520)	(47,012)
Remeasurement ⁽ⁱ⁾	16,440	37,380	5,513	59,333
Net transfers in :				
— Stage 1	(2,668)	—	—	(2,668)
— Stage 2	—	2,777	—	2,777
— Stage 3	—	—	(109)	(109)
As at March 31, 2021	<u>53,948</u>	<u>40,319</u>	<u>8,460</u>	<u>102,727</u>

(i) Remeasurement are caused by parameter changes or transfers between stages.

32 Share capital

	Number of shares (in thousands)	Nominal amount
As at December 31, 2018, 2019 and 2020 and March 31, 2021	<u>5,740,455</u>	<u>5,740,455</u>

The share capital of the Bank consists of authorized share capital issued and fully paid, with par value of RMB1 per share.

33 Revaluation reserve

The Group	Amount before tax	Effect of income tax	Net amount after tax
January 1, 2018	(1,494,951)	373,738	(1,121,213)
Changes in fair value of financial assets at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	1,292,430	(323,108)	969,322
— Amounts transferred to profit or loss	371,740	(92,935)	278,805

The Group	Amount before tax	Effect of income tax	Net amount after tax
Changes in credit impairment provision for financial assets at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	598,840	(149,710)	449,130
Changes in fair value of equity instruments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	<u>(3,822)</u>	<u>956</u>	<u>(2,866)</u>
December 31, 2018	<u>764,237</u>	<u>(191,059)</u>	<u>573,178</u>
January 1, 2019	764,237	(191,059)	573,178
Changes in fair value of debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	(789,788)	197,447	(592,341)
— Amounts transferred to profit or loss	(44,588)	11,147	(33,441)
Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	1,698,876	(424,731)	1,274,145
Changes in fair value of equity instruments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	<u>10,577</u>	<u>(2,644)</u>	<u>7,933</u>
December 31, 2019	<u>1,639,314</u>	<u>(409,840)</u>	<u>1,229,474</u>
January 1, 2020	1,639,314	(409,840)	1,229,474
Changes in fair value of debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	(1,055,214)	263,803	(791,411)
— Amounts transferred to profit or loss	(456,012)	114,003	(342,009)
Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	480,474	(120,119)	360,355
— Amounts transferred to profit or loss	(349,380)	87,345	(262,035)
Changes in fair value of equity instruments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	<u>2,556</u>	<u>(639)</u>	<u>1,917</u>
December 31, 2020	<u>261,738</u>	<u>(65,447)</u>	<u>196,291</u>
January 1, 2021	261,738	(65,447)	196,291
Changes in fair value of debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	(248,692)	62,173	(186,519)
— Amounts transferred to profit or loss	17,309	(4,327)	12,982

The Group	Amount before tax	Effect of income tax	Net amount after tax
Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	191,446	(47,862)	143,584
— Amounts transferred to profit or loss	(91,469)	22,867	(68,602)
Changes in fair value of equity instruments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	3,073	(768)	2,305
March 31, 2021	133,405	(33,364)	100,041
The Bank	Amount before tax	Effect of income tax	Net amount after tax
January 1, 2018	(1,490,880)	372,719	(1,118,161)
Changes in fair value of debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	1,257,926	(314,478)	943,448
— Amounts transferred to profit or loss	371,126	(92,782)	278,344
Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	592,636	(148,159)	444,477
Changes in fair value of equity instruments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	(3,822)	956	(2,866)
December 31, 2018	726,986	(181,744)	545,242
January 1, 2019	726,986	(181,744)	545,242
Changes in fair value of debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	(806,033)	201,508	(604,525)
— Amounts transferred to profit or loss	(37,116)	9,279	(27,837)
Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	1,671,767	(417,941)	1,253,826
Changes in fair value of equity instruments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	10,577	(2,644)	7,933
December 31, 2019	1,566,181	(391,542)	1,174,639

The Bank	Amount before tax	Effect of income tax	Net amount after tax
January 1, 2020	1,566,181	(391,542)	1,174,639
Changes in fair value of debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	(971,496)	242,874	(728,622)
— Amounts transferred to profit or loss	(438,612)	109,653	(328,959)
Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	441,356	(110,339)	331,017
— Amounts transferred to profit or loss	(316,677)	79,169	(237,508)
Changes in fair value of equity instruments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	<u>2,557</u>	<u>(639)</u>	<u>1,918</u>
December 31, 2020	<u>283,309</u>	<u>(70,824)</u>	<u>212,485</u>
January 1, 2021	283,309	(70,824)	212,485
Changes in fair value of debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	(241,500)	60,375	(181,125)
— Amounts transferred to profit or loss	22,144	(5,536)	16,608
Changes in credit impairment provision for debt instrument investments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	183,812	(45,953)	137,859
— Amounts transferred to profit or loss	(90,713)	22,678	(68,035)
Changes in fair value of equity instruments at fair value through other comprehensive income			
— Amounts recognized in other comprehensive income	<u>588</u>	<u>(147)</u>	<u>441</u>
March 31, 2021	<u>157,640</u>	<u>(39,407)</u>	<u>118,233</u>

34 Surplus reserves and general reserve

The Group	Surplus reserves ^(a)	General reserve ^(b)
January 1, 2018	2,747,740	4,787,719
Appropriation to surplus reserves	3,456,256	—
Appropriation to general reserve	—	230,052
December 31, 2018	<u>6,203,996</u>	<u>5,017,771</u>
January 1, 2019	6,203,996	5,017,771
Appropriation to surplus reserves	501,037	—
Appropriation to general reserve	—	266,354
December 31, 2019	<u>6,705,033</u>	<u>5,284,125</u>
January 1, 2020	6,705,033	5,284,125
Appropriation to surplus reserves	472,561	—
Appropriation to general reserve	—	483,610
December 31, 2020	<u>7,177,594</u>	<u>5,767,735</u>
January 1, 2021	7,177,594	5,767,735
Appropriation to surplus reserves	—	—
Appropriation to general reserve	—	—
March 31, 2021	<u>7,177,594</u>	<u>5,767,735</u>

<u>The Bank</u>	<u>Surplus reserves (a)</u>	<u>General reserve (b)</u>
January 1, 2018	2,747,740	4,767,435
Appropriation to surplus reserves	3,456,256	—
Appropriation to general reserve	—	228,128
December 31, 2018	<u>6,203,996</u>	<u>4,995,563</u>
January 1, 2019	6,203,996	4,995,563
Appropriation to surplus reserves	501,037	—
Appropriation to general reserve	—	250,519
December 31, 2019	<u>6,705,033</u>	<u>5,246,082</u>
January 1, 2020	6,705,033	5,246,082
Appropriation to surplus reserves	472,561	—
Appropriation to general reserve	—	472,561
December 31, 2020	<u>7,177,594</u>	<u>5,718,643</u>
January 1, 2021	7,177,594	5,718,643
Appropriation to surplus reserves	—	—
Appropriation to general reserve	—	—
March 31, 2021	<u>7,177,594</u>	<u>5,718,643</u>

(a) Surplus reserves

The surplus reserve at the end of each of the Track Record Period represented statutory surplus reserve and discretionary surplus reserve.

Pursuant to the PRC Company Law and the Articles of Association of the Bank, the Bank is required to appropriate 10% of its net profit as on an annual basis determined under the PRC Generally Accepted Accounting Principles (“GAAP”) until the balance reaches 50% of its registered capital as statutory surplus reserve. The Bank may also appropriate to the discretionary surplus reserve in accordance with the resolution of the shareholders.

The Bank appropriated RMB456 million, RMB501 million, RMB473 million and nil to the statutory surplus reserve and RMB3,000 million, nil, nil and nil to discretionary surplus reserve for the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, respectively.

(b) General reserve

Pursuant to Caijin [2012] No. 20 “Requirements on Impairment Allowance for Financial Institutions” (the “Requirement”) issued by the MOF, effective July 1, 2012, in addition to impairment allowances, the Bank and its subsidiaries are required to establish and maintain a general reserve within equity through the appropriation of profit to address unidentified potential impairment risks. The general reserve should not be less than 1.5% of the aggregate amount of risk assets as defined by the Requirement.

35 Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise the following amounts which have original maturities of less than three months and are used to meet short-term cash commitments:

The Group	As at December 31,			As at March 31,
	2018	2019	2020	2021
Cash	1,610,576	2,456,109	2,432,295	2,629,927
Surplus reserve deposits with central banks	7,613,914	8,596,266	8,913,037	5,910,722
Deposits with banks and other financial institutions	3,395,129	6,257,305	11,479,923	9,692,860
Placements with banks and other financial institutions	1,269,692	627,858	891,494	990,000
Financial assets held under resale agreements	9,544,923	5,317,700	5,542,874	7,672,479
Total	23,434,234	23,255,238	29,259,623	26,895,988

36 Dividends

	Years ended December 31,			Three months ended March 31,
	2018	2019	2020	2021
Dividends declared within the year/period	1,308,825	1,366,228	1,492,520	—
Dividends per share (RMB per share)	0.228	0.238	0.260	0.000

Under the PRC Company Law and the Bank's Articles of Association, the net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after:

- Making up prior year's cumulative losses, if any;
- Allocations to the non-distributable statutory reserve of 10% of the net profit of the Bank.

A dividend of RMB0.228 per share (tax inclusive) in respect of the year ended December 31, 2017, with a total of RMB1,309 million was approved in the annual general meeting on March 28, 2018.

A dividend of RMB0.238 per share (tax inclusive) in respect of the year ended December 31, 2018, with a total of RMB1,366 million was approved in the annual general meeting on April 25, 2019.

A dividend of RMB0.260 per share (tax inclusive) in respect of the year ended December 31, 2019, with a total of RMB1,493 million was approved in the annual general meeting on April 28, 2020.

A dividend of RMB0.260 per share (tax inclusive) in respect of the year ended December 31, 2020, with a total of RMB1,493 million was approved in the annual general meeting on April 23, 2021.

In additional, pursuant to the resolutions of the shareholders general meeting on April 25, 2019, the Bank declared a special cash dividend of RMB1.5 per ten shares to its shareholders before the completion of the global offering and the listing. Following that, pursuant to the resolutions of the Board of Directors on September 6, 2021, the Bank confirmed to declare the special cash dividend to its shareholders whose name appear on the Bank's register of members on August 31, 2021. The total amount of such dividend is approximately RMB861.1 million, which is expected to be paid after the entering into of the price determination agreement to be entered into between the joint global coordinators and the Bank on a pricing determination date in respect of the global offering (the "Price Determination Agreement") and before the listing date, and will be settled through the Bank's retained earnings. As the Bank can control whether to distribute the special dividend or not through controlling the progress of the listing, and the successful listing was uncertain for the Track Record Period, such special dividend has not been recognized for the Track Record Period.

37 Structured entities

(a) WMPs issued by the Group

Non-principal-guaranteed WMPs

Non-principal-guaranteed WMPs are not subject to any guarantee by the Group of the principal invested or interest to be paid.

As at December 31, 2018, 2019 and 2020 and March 31, 2021, the unconsolidated non-principal-guaranteed WMPs issued and managed by the Group amounted to RMB32,700 million, RMB33,987 million, RMB36,670 million and RMB36,651 million, respectively. The WMPs invest in a range of primarily fixed rate assets, most typically money market instruments, debt securities and loan assets. As the manager of these WMPs, the Group invests, on behalf of the investors in these WMPs, the funds raised in the assets as described in the investment plan related to each WMP and receives fee and commission income. Certain non-principal-guaranteed WMPs issued, managed and actually controlled by the Bank are consolidated in the historical financial information of the Group. As at December 31, 2018, 2019 and 2020 and March 31, 2021, the consolidated non-principal-guaranteed WMPs amounted to RMB1,735 million, RMB3,060 million, RMB4,488 million and RMB5,687 million, respectively.

Principal-guaranteed WMPs

Principal guaranteed WMPs sponsored and managed by the Group represent products to which the Group has guaranteed the investor's principal investment, regardless of their actual performance. In accordance with the Group's accounting policies, the Group classifies the WMPs by the nature of the underlying assets or liabilities and records them in the corresponding financial statement line items. As at December 31, 2018, 2019 and 2020 and March 31, 2021, the principal-guaranteed WMPs issued by the Group amounted to RMB15,645 million, RMB8,638 million, RMB2,436 million and RMB1,640 million, respectively.

For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, the Group's interest in WMPs included fee and commission income of RMB312 million, RMB459 million, RMB329 million, RMB55 million and RMB66 million, respectively. The Group had mainly debt securities trading and money market transactions with the above WMPs. The gains or losses on these transactions had no significant impact on the Group.

(b) Structured entities set up in third-party organizations

The Group invests in other unconsolidated structured entities which are sponsored and managed by other entities for investment returns, and records trading gains or losses and interest income therefrom. As at

December 31, 2018, 2019 and 2020 and March 31, 2021, the carrying amounts of the Group's interests in structured entities set up in third-party organizations by directly holding the investment were as follows:

	As at December 31,			As at March 31,
	2018	2019	2020	2021
Financial assets at fair value through profit or loss				
— Fund investments (Note 18.1)	6,423,499	10,215,267	20,496,877	22,358,502
— Rights to earnings on credit assets (Note 18.1)	4,245,486	3,130,299	3,434,843	3,435,058
— Others (Note 18.1)	30,029	29,337	27,304	27,932
Financial investments at amortized cost				
— Rights to earnings on credit assets (Note 18.2)	6,384,931	3,969,649	902,634	654,519
Financial investments at fair value through other comprehensive income				
— Rights to earnings on credit assets (Note 18.3)	936,363	594,251	446,175	272,591
— Direct financing instruments for WMPs (Note 18.3)	625,165	603,853	222,000	223,443
Total	18,645,473	18,542,656	25,529,833	26,972,045

As at December 31, 2018, 2019 and 2020 and March 31, 2021, the maximum exposures of the above structured entities were their carrying amounts.

38 Business combination

(a) Summary of acquisition

Zhanjiang RCB

Zhanjiang RCB was formed as a result of a combination of Zhanjiang City Donghai Island Economic Development Test Zone Rural Credit Cooperatives Union (“Donghai Union”), Zhanjiang City Chikan District Rural Credit Cooperatives Union (“Chikan Union”), Zhanjiang City Potou District Rural Credit Cooperatives Union (“Potou Union”), Zhanjiang City Mazhang District Rural Credit Cooperatives Union (“Mazhang Union”). The Bank and other new investors invested by cash injection, while Donghai Union, Chikan Union, Potou Union and Mazhang Union invested by all the shares of each unions. The business combination was completed on October 26, 2019. Upon the acquisition, the Bank holds 49.41% shares and the remaining shareholdings are widely dispersed. Therefore, the Bank controls Zhanjiang RCB.

The assets and liabilities recognized as a result of the acquisition are as follows:

	<u>As at October 26, 2019</u>
	<u>Fair value</u>
ASSETS	
Cash and balances with central banks	4,934,123
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	5,982,528
Loans and advances to customers	11,201,079
Financial investments	
— At amortized cost	2,419,204
— At fair value through other comprehensive income	8,000
Property and equipment	166,892
Right-of-use assets	37,166
Deferred tax assets	195,485
Other assets	73,745
Total assets	<u>25,018,222</u>
LIABILITIES	
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	34,062
Deposits from customers	21,877,264
Taxes payable	77,001
Lease liabilities	18,627
Other liabilities	83,968
Total liabilities	<u>22,090,922</u>
Net identifiable assets	2,927,300
Less: Non-controlling interests acquired ⁽ⁱ⁾	(1,480,921)
Add: goodwill	181,381
Net assets acquired	<u>1,627,760</u>

Chaoyang RCB

Chaoyang RCB obtained its finance permit from the CBIRC and its business license from the Administration for Market Regulation of Shantou Municipality on December 27, 2020. The business combination was completed on December 27, 2020. Upon the acquisition, the Bank holds 67.03% shares and controls Chaoyang RCB.

The assets and liabilities recognized as a result of the acquisition are as follows:

	<u>As at December 27, 2020</u>
	<u>Fair value</u>
ASSETS	
Cash and balances with central banks	3,481,718
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	8,223,258
Loans and advances to customers	3,615,328
Financial investments	
— At amortized cost	16,487,788
— At fair value through other comprehensive income	196,850
Property and equipment	493,612
Right-of-use assets	50,338
Deferred tax assets	29,248
Other assets	170,759
Total assets	<u>32,748,899</u>
LIABILITIES	
Borrowings from central banks	11,703
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	707,815
Deposits from customers	29,657,899
Lease liabilities	50,338
Other liabilities	115,285
Total liabilities	<u>30,543,040</u>
Net identifiable assets	2,205,859
Less: Non-controlling interests acquired ⁽ⁱ⁾	(727,272)
Add: goodwill	339,140
Net assets acquired	<u>1,817,727</u>

- (i) Accounting policy choice for non-controlling interests

For the non-controlling interests in Zhanjiang RCB and Chaoyang RCB, the Group elected to recognize the non-controlling interests at their proportionate share of the acquired net identifiable assets.

- (ii) Revenue and profit contribution

For the years ended December 31, 2019 and 2020 and three months ended March 31, 2020 and 2021, Zhanjiang RCB's contribution to the consolidated operating income and net profit of the Group were RMB115 million, RMB6 million and RMB701 million, RMB247 million and RMB174 million, RMB22 million and RMB174 million, RMB42 million, respectively.

For the year ended December 31, 2020 and the three months ended March 31, 2021, Chaoyang RCB's contribution to the consolidated operating income of the Group were RMB2 million and RMB72 million and net losses of RMB17 million and net income of RMB57 million were consolidated to the Group.

(b) Net cash flow for acquisition

Net cash flow for acquisition of the Zhanjiang RCB is analyzed below:

	<u>As at October 26, 2019</u>
Purchase consideration:	
Cash paid in 2019	170,000
Cash paid in 2018 as prepayments	1,178,000
Cash paid in 2017 as prepayments	<u>279,760</u>
Total cash consideration	1,627,760
Less: cash paid to acquire Zhanjiang RCB in 2019	(170,000)
Add: cash and cash equivalents held by Zhanjiang RCB	<u>4,730,267</u>
Net cash inflow from acquisition of Zhanjiang RCB	<u><u>4,560,267</u></u>

Net cash flow for acquisition of the Chaoyang RCB is analyzed below:

	<u>As at December 27, 2020</u>
Purchase consideration:	
Cash paid in 2020	<u>1,817,727</u>
Total cash consideration	1,817,727
Less: cash paid to acquire Chaoyang RCB in 2020	(1,817,727)
Add: cash and cash equivalents held by Chaoyang RCB	<u>9,252,979</u>
Net cash inflow from acquisition of Chaoyang RCB	<u><u>7,435,252</u></u>

39 Contingent liabilities and commitments

(a) Financial guarantees and other credit commitments

<u>The Group</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Bank acceptances	1,484,923	1,226,593	1,580,695	1,673,832
Letters of credit	227,881	204,506	245,179	274,123
Guarantees	375,587	630,337	1,222,974	1,207,675
Unused limit of credit cards	<u>7,771,380</u>	<u>9,036,803</u>	<u>9,655,154</u>	<u>9,968,059</u>
Total	<u>9,859,771</u>	<u>11,098,239</u>	<u>12,704,002</u>	<u>13,123,689</u>
<u>The Bank</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Bank acceptances	1,484,923	1,226,593	1,560,695	1,653,832
Letters of credit	227,881	204,506	245,179	274,123
Guarantees	375,587	630,337	1,222,974	1,207,675
Unused limit of credit cards	<u>7,771,380</u>	<u>9,036,803</u>	<u>9,655,154</u>	<u>9,968,059</u>
Total	<u>9,859,771</u>	<u>11,098,239</u>	<u>12,684,002</u>	<u>13,103,689</u>

(b) Credit risk weighted amounts of financial guarantees and credit commitments

<u>The Group</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Financial guarantees and credit commitments	<u>2,374,176</u>	<u>2,348,176</u>	<u>2,920,994</u>	<u>3,027,312</u>
<u>The Bank</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Financial guarantees and credit commitments	<u>2,374,176</u>	<u>2,348,176</u>	<u>2,905,194</u>	<u>3,011,507</u>

Credit risk weighted amounts refer to amounts which depend on the status of counterparties and the maturity characteristics, and are calculated in accordance with the CBIRC guidance. Risk weightings used for contingent liabilities and credit commitments range from 0% to 100%.

(c) Capital commitments

<u>The Group and the Bank</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Properties and equipments				
Contracted, but not provided for	<u>267,375</u>	<u>606,780</u>	<u>494,839</u>	<u>314,975</u>

(d) Legal proceedings

The litigation cases of the group are not expected to have a significant impact on the Group.

(e) Collateral

Assets as collateral

The carrying amounts of the Group's assets pledged as collateral under repurchase agreements are as follows:

	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debt securities	10,691,395	16,206,980	15,800,728	12,971,143
Notes	<u>12,227,673</u>	<u>10,222,910</u>	<u>10,491,609</u>	<u>5,418,873</u>
Total	<u>22,919,068</u>	<u>26,429,890</u>	<u>26,292,337</u>	<u>18,390,016</u>

The liabilities of above collateral were presented in Note 27. All repurchase agreements are due within 12 months from their effective dates.

The carrying amounts of the Group's assets pledged as collateral under borrowings from central banks are as follows:

	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Debt securities	764,331	3,197,257	34,166,618	33,396,563
Loans	67,795	89,021	80,550	38,650
Notes	<u>—</u>	<u>—</u>	<u>271,215</u>	<u>145,670</u>
Total	<u>832,126</u>	<u>3,286,278</u>	<u>34,518,383</u>	<u>33,580,883</u>

The liabilities of above collateral were presented in Note 26.

Collateral accepted

The Group accepts bonds and notes as collateral in relevant securities borrowing and lending and repurchase agreement businesses. As at December 31, 2018, 2019 and 2020 and March 31, 2021, the Group did not hold any collateral that can be resold or re-pledged.

(f) Redemption commitments of government bonds

The Group is entrusted by the MOF to underwrite certain government bonds. The investors of the government bonds have a right to redeem the bonds they hold at any time before their maturities, while the Group is obligated to meet redemption requests. The early redemption proceeds for these government bonds are the principal of the bonds plus unpaid interest accrued in accordance with the early redemption agreement.

As at December 31, 2018, 2019 and 2020 and March 31, 2021, the balances of the principals of the Group's government bonds with early redemption obligations were RMB353 million and RMB780 million and RMB1,038 million and RMB132 million respectively. The original maturities of these government bonds range from 3 to 5 years. Management expects the Group's exposure to early redemptions of these bonds will not be material.

The MOF will not provide funding for the early redemptions of these government bonds on a back-to-back basis but will settle the principal and interest upon maturity.

40 Related party transactions

(a) Related parties of the Group

(i) Major shareholder

Major shareholders include shareholders with 5% or more interest in the Bank. Shareholder with 5% shareholding or more in the Bank is shown as follows:

<u>Shareholding (%)</u>	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Name of shareholder				
Guangdong Canvest Investment Co., Ltd.	<u>5.21%</u>	<u>5.21%</u>	<u>5.21%</u>	<u>5.21%</u>

(ii) Other related parties

Other related parties include directors, supervisors, senior management of the Bank and their close family members; entities controlled or jointly controlled by directors, supervisors, senior management of the Group and their close family members; and entities controlled or jointly controlled by the major shareholder of the Group as set out in Note 40(a)(i).

APPENDIX I

ACCOUNTANT'S REPORT

- (b) Related party transactions and balances
- (i) Transactions and balances with major shareholder

	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Loans and advances to customers	—	48,577	46,073	45,573
Deposits from customers	852	11,324	30,234	511
Entrusted loans	<u>190,000</u>	<u>—</u>	<u>—</u>	<u>—</u>

The balances with related parties are trade in nature.

	<u>Years ended December 31,</u>			<u>Three months ended</u>	
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>March 31,</u>	
				<u>2020</u>	<u>2021</u>
				(Unaudited)	
Interest income	—	565	2,362	601	566
Interest expense	39	46	52	4	5
Fee and commission income	<u>—</u>	<u>2</u>	<u>1</u>	<u>—</u>	<u>—</u>

	<u>Years ended December 31,</u>			<u>Three months ended</u>	
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>March 31,</u>	
				<u>2020</u>	<u>2021</u>
				(Unaudited)	
Range of rates					
Loans and advances to customers	N/A	5.22%	5.22%	5.22%	5.22%
Deposits from customers	0.35%	0.35%	0.35%	0.35%	0.35%
Commission rate of entrusted loans	<u>0.06%</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

- (ii) Transactions and balances with subsidiaries

	<u>As at December 31,</u>			<u>As at March 31,</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	—	1,044	97	97
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	259,214	649,455	226,489	152,331
Debt securities issued	<u>—</u>	<u>150,000</u>	<u>386,000</u>	<u>887,381</u>

The balances with related parties are trade in nature.

	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
	(Unaudited)				
Interest income	1,161	—	—	—	—
Interest expense	5,956	8,670	12,311	6,190	417

	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
	(Unaudited)				
Range of rates					
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	2.56% - 5.50%	2.44% - 3.65%	0.28% - 2.77%	0.39% - 2.77%	0.35% - 2.77%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	0.35% - 5.40%	0.35% - 3.20%	0.35% - 3.08%	0.35% - 3.2%	0.35% - 2.57%
Debt securities issued	N/A	3.50%	2.94% - 3.75%	2.94% - 3.33%	2.43% - 3.75%

(iii) Transactions and balances with associates

	As at December 31,			As at March 31,
	2018	2019	2020	2021
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	—	—	11	11
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	—	484,706	40,210	160,000

The balances with related parties are trade in nature.

	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
Interest expense	—	18,207	11,296	4,076	960

	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
Range of rates					
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	N/A	N/A	0.28%-0.31%	0.28%-3.4%	0.28%-3.3%
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	N/A	3.00%-3.40%	2.25%-3.30%	2.95%-3.4%	3.2%-3.3%

(iv) Transaction and balances with other related parties

As at each of the balance sheet dates, the Group had the following transactions and balances with other related parties:

	As at December 31,			As at March 31,
	2018	2019	2020	2021
Loans and advances to customers	15,016,278	17,369,248	18,378,103	18,519,466
Deposits from customers	1,807,089	3,950,495	5,039,639	5,903,651
Principal-guaranteed WMPs issued by the Bank	182,192	70,049	21,419	18,724
Non-principal-guaranteed WMPs issued by the Bank	975,659	1,782,676	1,966,226	1,938,184
Other assets — prepayment for construction in progress ⁽¹⁾	—	143,640	—	—
Other liabilities — payable for civil engineering services	—	83,626	22,509	8,528
Right-of-use assets ⁽²⁾	11,624	8,743	20,186	18,206
Lease liabilities ⁽²⁾	12,043	9,242	21,677	19,637

The balances with related parties are trade in nature.

	<u>Years ended December 31,</u>			<u>Three months ended</u>	
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>March 31,</u>	
				<u>2020</u>	<u>2021</u>
				(Unaudited)	
Interest income	846,088	959,055	902,715	208,542	243,032
Interest expense	22,827	30,688	38,368	7,717	10,659
Fee and commission income	1,328	2,648	836	135	196
Professional service fee	1,634	—	—	—	—
Leasing expenses	<u>31</u>	<u>395</u>	<u>624</u>	<u>68</u>	<u>82</u>

	<u>Years ended December 31,</u>			<u>Three months ended March 31,</u>	
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>	<u>2021</u>
				(Unaudited)	
Range of rates					
Loans and advances to customers	3.43% - 9.74%	3.43% - 12%	3.28% - 8.65%	3.43% - 9.02%	3.28% - 9.74%
Deposits from customers	0.35% - 5.50%	0.35% - 5.50%	0.35% - 5.50%	0.35% - 5.50%	0.35% - 5.50%
Management fee rate of principal-guaranteed WMPs issued by the Bank	0.30% - 2.00%	0.30% - 1.50%	0.20% - 1.50%	0.20% - 1.00%	0.20% - 1.50%
Management fee rate of non-principal-guaranteed WMPs issued by the Bank	<u>0.30% - 2.30%</u>	<u>0.10% - 2.30%</u>	<u>0.20% - 2.00%</u>	<u>0.20% - 2.00%</u>	<u>0.20% - 2.00%</u>

- (1) In December 2019, the Bank entered into a construction contract with one related party of the Bank, pursuant to which the related party shall construct a property for the Bank, at a total consideration RMB478.8 million to be paid in accordance with the payment scheme as set out in that contract. Up to March 31, 2021, the Bank had recognized a construction in progress of RMB91.5 million and made a prepayment of RMB83 million to the related party.
- (2) During the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, the Bank incurred RMB3,368 thousand, RMB3,273 thousand, RMB2,724 thousand, RMB1,208 thousand and RMB2,178 thousand for lease contracts with related parties respectively. The lease term ranges from 1 year to 10 years. These leases were accounted for under IFRS 16 and the respective right-of-use assets and lease liabilities were recognized in the consolidated statements of financial position.

(c) Remuneration of key management personnel

Key management personnel refer to those persons who have the authority and responsibility to plan, conduct and control the Bank's activities.

The remuneration of key management personnel in each of the reporting years is as follows:

	Years ended December 31,			Three months ended March 31,	
	2018	2019	2020	2020	2021
	(Unaudited)				
Salaries	14,236	24,034	15,845	3,930	3,697
Subsidies and physical benefits	967	1,180	599	194	206
Discretionary bonuses	30,013	24,337	22,989	10,138	8,827
Pension plan contributions	1,031	1,230	904	231	230
Total	46,247	50,781	40,337	14,493	12,960

- (d) Loans and advances balances with directors, supervisors and their certain controlled body corporates and connected entities

	As at December 31,			As at March 31,
	2018	2019	2020	2021
Directors	—	16,394	14,184	13,631
Supervisors	7,834	6,458	746	721
Certain controlled body corporates and connected entities of the directors	10,191,636	10,842,208	15,769,654	15,922,618
Certain controlled body corporates and connected entities of the supervisors	179,364	816,232	1,440,716	1,456,971
Total	10,378,834	11,681,292	17,225,300	17,393,941

Years ended December 31, 2018

As at December 31, 2018

	Principal	Accrued interest	Provisions	Net book value	Aggregate amounts granted	Maximum outstanding	Aggregate amounts overdue	Term	Interest rate	Security
Director and Supervisor (i)	7,834	15	41	7,808	—	9,207	—	60 - 120 months	3.43%- 5.15%	Real estate
Certain controlled body corporates and connected entities of the directors and supervisors (ii)	10,371,000	17,626	222,569	10,166,057	6,703,622	11,605,039	—	2 - 113 months	4.60% - 8.08%	Real estate, land use right, charge right, shares, and machinery and equipment
Total	<u>10,378,834</u>	<u>17,641</u>	<u>222,610</u>	<u>10,173,865</u>	<u>6,703,622</u>	<u>11,614,246</u>	<u>—</u>			

(i) The directors and supervisors are Zhou Qingzong, Lu Chaoping and Liu Jianfeng.

(ii) The directors and supervisors are Wang Junyang, Lai Chun Tung, Ye Jinquan, Chen Haitao, Liang Peiguang, Cai Guowei, Chen Xipei, Lu Chaoping and Zhou Qingzong.

Years ended December 31, 2019

As at December 31, 2019

	Principal	Accrued interest	Provisions	Net book value	Aggregate amounts granted	Maximum outstanding	Aggregate amounts overdue	Term	Interest rate	Security
Director and Supervisor (i)	22,852	59	126	22,785	—	32,487	—	119 - 239 months	3.43% - 5.39%	Real estate
Certain controlled body corporates and connected entities of the directors and supervisors (ii)	11,658,440	19,961	412,052	11,266,349	7,874,960	15,807,454	—	3 - 119 months	4.6% - 7.60%	Real estate, land use right, charge right, shares, rent and machinery and equipment
Total	<u>11,681,292</u>	<u>20,020</u>	<u>412,178</u>	<u>11,289,134</u>	<u>7,874,960</u>	<u>15,839,941</u>	<u>—</u>			

(i) The directors and supervisors are Zhang Qinxiang, Zou Zhibiao, Lu Chaoping and Zhou Qingzong.

(ii) The directors and supervisors are Wang Junyang, Ye Jinquan, Lai Chun Tung, Zhang Qinxiang, Chen Haitao, Cai Guowei, Chen Weiliang, Wang Zhujin, Lu Chaoping, Zhou Qingzong, Liang Jiepeng and Zou Zhibiao.

Years ended December 31, 2020

As at December 31, 2020

	Principal	Accrued interest	Provisions	Net book value	Aggregate amounts granted	Maximum outstanding	Aggregate amounts overdue	Term	Interest rate	Security
Director and Supervisor (i) Certain controlled body corporates and connected entities of the directors and supervisors (ii)	14,930	43	74	14,899	—	17,235	—	119 - 239 months	3.28% - 5.39%	Real estate
Total	17,210,370	29,040	273,784	16,965,626	12,252,677	18,011,379	—	9 - 179 months	4.25% - 7.6%	Real estate, land use right, charge right, shares, rent and machinery and equipment

(i) The directors and supervisors are Zhang Qingxiang and Lu Chaoping.

(ii) The directors and supervisors are Wang Junyang, Zhang Qingxiang, Chen Haitao, Lai Chun Tung, Ye Jinquan, Cai Guowei, Chen Weiliang, Wang Zhujin, Liang Jiepen, Zou Zhibiao and Lu Chaoping.

Three months ended March 31, 2021

As at March 31, 2021

	Principal	Accrued interest	Provisions	Net book value	Aggregate amounts granted	Maximum outstanding	Aggregate amounts overdue	Term	Interest rate	Security
Director and Supervisor (i)	14,352	42	64	14,330	—	14,995	—	119 - 239 months	3.28% - 5.39%	Real estate
Certain controlled body corporates and connected entities of the directors and supervisors (ii)	17,379,589	29,390	580,563	16,828,416	3,167,990	17,663,090	—	9 - 179 months	4.25% - 8.12%	Real estate, land use right, charge right, shares, rent and machinery and equipment
Total	17,393,941	29,432	580,627	16,842,746	3,167,990	17,678,085	—			

(i) The directors and supervisors are Zhang Qingxiang and Lu Chaoping.

(ii) The directors and supervisors are Wang Junyang, Zhang Qingxiang, Chen Haitao, Lai Chun Tung, Ye Jinquan, Cai Guowei, Chen Weiliang, Wang Zhujin, Liang Jiepen, Zou Zhibiao and Lu Chaoping.

41 Segmental analysis**(a) Business segments**

The Group manages its operations from both business and regional perspectives. From a business perspective, the Group mainly provides financial services through four business segments, which are listed below:

- Corporate banking: Corporate banking business segment covers financial products and services to corporate customers, governments and financial institutions. These products and services include corporate loans and advances, trade finance, deposits, and various other corporate intermediary businesses.
- Personal banking: Personal banking business segment covers financial products and services to individual customers. These products and services include personal loans and advances, deposits, bank cards, and various other individual intermediary businesses.
- Treasury: Treasury segment covers the Group's money market transactions, repurchase transactions, debt instrument investments, wealth management products and precious metals.
- Others: The others segment covers the remaining businesses of the Group that cannot be directly attributable to the above segments, and some assets, liabilities, income or expenses of the Head Office that have not been properly allocated.

From a regional perspective, all businesses of the Group are conducted in Mainland China.

	Year ended December 31, 2018				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	6,043,403	2,069,226	8,002,043	—	16,114,672
External interest expense	(2,002,235)	(2,619,601)	(4,172,440)	—	(8,794,276)
Inter-segment net interest income or expense	(147,862)	3,765,851	(3,617,989)	—	—
Net interest income	<u>3,893,306</u>	<u>3,215,476</u>	<u>211,614</u>	<u>—</u>	<u>7,320,396</u>
Net fee and commission income	<u>101,436</u>	<u>794,498</u>	<u>37,374</u>	<u>18,256</u>	<u>951,564</u>
Net trading gains or losses	51,469	2,741	1,168,799	—	1,223,009
Net gains or losses on financial investments	—	—	48,836	33,182	82,018
Other operating income	1	47	1,071	199,481	200,600
Operating income	<u>4,046,212</u>	<u>4,012,762</u>	<u>1,467,694</u>	<u>250,919</u>	<u>9,777,587</u>
Operating expense	(792,852)	(1,635,029)	(384,291)	(237,157)	(3,049,329)
— Depreciation and amortization	(86,598)	(196,800)	(67,941)	(3,825)	(355,164)
Expected credit losses and asset losses	(1,073,338)	(26,850)	(616,890)	—	(1,717,078)
Share of profits of associates	—	—	—	23,048	23,048
Profit before tax	<u>2,180,022</u>	<u>2,350,883</u>	<u>466,513</u>	<u>36,810</u>	<u>5,034,228</u>
Capital expenditure	<u>24,023</u>	<u>54,595</u>	<u>18,848</u>	<u>1,060</u>	<u>98,526</u>

	As at December 31, 2018				
	Corporate banking	Personal banking	Treasury	Others	Total
Segment assets	109,572,871	49,563,443	244,791,357	2,293,210	406,220,881
Unallocated assets	—	—	—	—	1,683,771
Total assets	<u>109,572,871</u>	<u>49,563,443</u>	<u>244,791,357</u>	<u>2,293,210</u>	<u>407,904,652</u>
Segment liabilities	<u>111,191,748</u>	<u>156,451,211</u>	<u>109,932,428</u>	<u>494,692</u>	<u>378,070,079</u>

	Year ended December 31, 2019				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	6,832,457	2,917,475	7,603,179	—	17,353,111
External interest expense	(2,425,978)	(2,753,088)	(3,372,758)	—	(8,551,824)
Inter-segment net interest income or expense	<u>123,846</u>	<u>3,442,757</u>	<u>(3,566,603)</u>	<u>—</u>	<u>—</u>
Net interest income	<u>4,530,325</u>	<u>3,607,144</u>	<u>663,818</u>	<u>—</u>	<u>8,801,287</u>
Net fee and commission income	<u>65,289</u>	<u>910,462</u>	<u>69,925</u>	<u>9,097</u>	<u>1,054,773</u>
Net trading gains or losses	76,228	6,271	1,050,774	—	1,133,273
Net gains or losses on financial investments	—	—	419,400	43,474	462,874
Other operating income	<u>1</u>	<u>32</u>	<u>812</u>	<u>342,175</u>	<u>343,020</u>
Operating income	<u>4,671,843</u>	<u>4,523,909</u>	<u>2,204,729</u>	<u>394,746</u>	<u>11,795,227</u>
Operating expense	(956,272)	(1,935,755)	(518,558)	(125,172)	(3,535,757)
— Depreciation and amortization	(81,268)	(177,261)	(58,352)	(3,347)	(320,228)
Expected credit losses and asset losses	(455,420)	(334,922)	(1,803,201)	—	(2,593,543)
Share of profits of associates	<u>—</u>	<u>—</u>	<u>—</u>	<u>34,847</u>	<u>34,847</u>
Profit before tax	<u><u>3,260,151</u></u>	<u><u>2,253,232</u></u>	<u><u>(117,030)</u></u>	<u><u>304,421</u></u>	<u><u>5,700,774</u></u>
Capital expenditure	<u><u>49,562</u></u>	<u><u>108,104</u></u>	<u><u>35,587</u></u>	<u><u>2,040</u></u>	<u><u>195,293</u></u>
	As at December 31, 2019				
	Corporate banking	Personal banking	Treasury	Others	Total
Segment assets	108,366,068	92,373,580	256,731,425	1,719,614	459,190,687
Unallocated assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,018,115</u>
Total assets	<u><u>108,366,068</u></u>	<u><u>92,373,580</u></u>	<u><u>256,731,425</u></u>	<u><u>1,719,614</u></u>	<u><u>461,208,802</u></u>
Segment liabilities	<u><u>130,701,513</u></u>	<u><u>186,371,651</u></u>	<u><u>108,041,276</u></u>	<u><u>622,581</u></u>	<u><u>425,737,021</u></u>

	Year ended December 31, 2020				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	8,269,216	4,523,129	6,725,259	—	19,517,604
External interest expense	(3,028,864)	(3,406,244)	(3,150,117)	—	(9,585,225)
Inter-segment net interest income or expense	<u>40,650</u>	<u>3,358,728</u>	<u>(3,399,378)</u>	<u>—</u>	<u>—</u>
Net interest income	<u>5,281,002</u>	<u>4,475,613</u>	<u>175,764</u>	<u>—</u>	<u>9,932,379</u>
Net fee and commission income	<u>138,405</u>	<u>764,934</u>	<u>22,026</u>	<u>15,014</u>	<u>940,379</u>
Net trading gains or losses	81,590	45,581	754,111	—	881,282
Net gains or losses on financial investments	—	—	433,925	(252,022)	181,903
Other operating income	<u>2</u>	<u>132</u>	<u>—</u>	<u>110,970</u>	<u>111,104</u>
Operating income	5,500,999	5,286,260	1,385,826	(126,038)	12,047,047
Operating expense	(1,263,546)	(2,215,836)	(392,853)	(52,651)	(3,924,886)
— Depreciation and amortization	(135,515)	(172,732)	(40,310)	(2,569)	(351,126)
Expected credit losses and asset losses	(195,671)	(128,727)	(151,757)	(2,298,180)	(2,774,335)
Share of profits of associates	<u>—</u>	<u>—</u>	<u>—</u>	<u>24,283</u>	<u>24,283</u>
Profit before tax	<u>4,041,782</u>	<u>2,941,697</u>	<u>841,216</u>	<u>(2,452,586)</u>	<u>5,372,109</u>
Capital expenditure	<u>227,822</u>	<u>290,390</u>	<u>67,768</u>	<u>4,319</u>	<u>590,299</u>
	Year ended December 31, 2020				
	Corporate banking	Personal banking	Treasury	Others	Total
Segment assets	136,792,773	120,522,083	285,346,555	2,686,362	545,347,773
Unallocated assets	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>3,054,183</u>
Total assets	<u>136,792,773</u>	<u>120,522,083</u>	<u>285,346,555</u>	<u>2,686,362</u>	<u>548,401,956</u>
Segment liabilities	<u>153,686,770</u>	<u>227,867,257</u>	<u>125,017,329</u>	<u>3,187,786</u>	<u>509,759,142</u>

	Three months ended March 31, 2020 (Unaudited)				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	2,008,475	1,082,534	1,666,623	—	4,757,632
External interest expense	(693,425)	(747,436)	(789,562)	—	(2,230,423)
Inter-segment net interest income or expense	16,974	787,517	(804,491)	—	—
Net interest income	<u>1,332,024</u>	<u>1,122,615</u>	<u>72,570</u>	<u>—</u>	<u>2,527,209</u>
Net fee and commission income	<u>28,934</u>	<u>151,065</u>	<u>11,093</u>	<u>1,181</u>	<u>192,273</u>
Net trading gains or losses	19,007	7,742	334,513	—	361,262
Net gains or losses on financial investments	—	—	57,600	—	57,600
Other operating income	—	29	—	34,687	34,716
Operating income	1,379,965	1,281,451	475,776	35,868	3,173,060
Operating expense	(363,315)	(549,308)	(81,241)	(14,401)	(1,008,265)
— Depreciation and amortization	(68,908)	(31,727)	(7,564)	(709)	(108,908)
Expected credit losses and asset losses	(189,548)	(96,981)	(150,691)	—	(437,220)
Share of profits of associates	—	—	—	6,352	6,352
Profit before tax	<u>827,102</u>	<u>635,162</u>	<u>243,844</u>	<u>27,819</u>	<u>1,733,927</u>
Capital expenditure	<u>148,811</u>	<u>68,515</u>	<u>16,335</u>	<u>1,531</u>	<u>235,192</u>
	As at March 31, 2020 (Unaudited)				
	Corporate banking	Personal banking	Treasury	Others	Total
Segment assets	115,769,522	79,711,342	261,905,108	1,766,858	459,152,830
Unallocated assets	—	—	—	—	1,784,583
Total assets	<u>115,769,522</u>	<u>79,711,342</u>	<u>261,905,108</u>	<u>1,766,858</u>	<u>460,937,413</u>
Segment liabilities	<u>133,098,943</u>	<u>188,829,229</u>	<u>100,998,922</u>	<u>419,202</u>	<u>423,346,296</u>

	Three months ended March 31, 2021				
	Corporate banking	Personal banking	Treasury	Others	Total
External interest income	2,444,952	1,223,385	1,635,966	—	5,304,303
External interest expense	(885,134)	(911,752)	(927,069)	—	(2,723,955)
Inter-segment net interest income or expense	(66,000)	811,014	(745,014)	—	—
Net interest income	<u>1,493,818</u>	<u>1,122,647</u>	<u>(36,117)</u>	<u>—</u>	<u>2,580,348</u>
Net fee and commission income	<u>31,861</u>	<u>147,591</u>	<u>3,804</u>	<u>10,161</u>	<u>193,417</u>
Net trading gains or losses	34,196	16,868	257,153	—	308,217
Net gains or losses on financial investments	—	—	66,749	(9,285)	57,464
Other operating income	1	76	—	16,473	16,550
Operating income	<u>1,559,876</u>	<u>1,287,182</u>	<u>291,589</u>	<u>17,349</u>	<u>3,155,996</u>
Operating expense	(363,342)	(421,002)	(95,229)	(19,410)	(898,983)
— Depreciation and amortization	(53,989)	(54,475)	(15,312)	(819)	(124,595)
Expected credit losses and asset losses	(26,273)	(100,386)	(145,894)	—	(272,553)
Share of profits of associates	—	—	—	15,680	15,680
Profit before tax	<u>1,170,261</u>	<u>765,794</u>	<u>50,466</u>	<u>13,619</u>	<u>2,000,140</u>
Capital expenditure	<u>56,256</u>	<u>56,762</u>	<u>15,955</u>	<u>853</u>	<u>129,826</u>

As at March 31, 2021

	Corporate banking	Personal banking	Treasury	Others	Total
	Segment assets	147,630,868	99,351,700	312,050,487	2,436,064
Unallocated assets	—	—	—	—	3,089,073
Total assets	<u>147,630,868</u>	<u>99,351,700</u>	<u>312,050,487</u>	<u>2,436,064</u>	<u>564,558,192</u>
Segment liabilities	<u>159,563,566</u>	<u>233,254,569</u>	<u>130,816,815</u>	<u>606,488</u>	<u>524,241,438</u>

42 Financial risk management

Overview

The Group's activities expose it to a variety of financial risks. The Group analyzes and evaluates its risk exposures, and accepts and manages a certain level of such risks or combined risks. Financial risk management

is critical to the financial industry in which the Group operates, and business operations inevitably involve financial risks. The Group's aim is to achieve an appropriate balance between risk and return to minimize potential adverse effects on the Group's financial statements.

The Group's risk management policies are designed to identify and analyze related risks, so as to set appropriate risk limits and control processes, and to monitor risks and their limits through reliable processes.

The Board of Directors of the Group is responsible for setting out the overall risk preference, reviewing and approving the Group's risk management objectives and strategies. Senior management is responsible for developing and implementing appropriate risk management policies and procedures based on risk management objectives and strategies. The Board of Supervisors is responsible for supervising and inspecting the risk management and internal control and spurring remedial measures where necessary.

The major financial risks faced by the Group are credit risk, market risk and liquidity risk, and market risk mainly comprises interest rate risk and foreign exchange risk.

42.1 Credit risk

42.1.1 Credit risk management

The Group is exposed to credit risk, which is the risk that a customer or counterparty will be unable or unwilling to meet its obligations under a contract. The concentrations of credit risk will increase when counterparties are within similar industry segments or geographical regions. On-balance-sheet credit exposure includes loans and advances to customers, financial investments, deposits and placements with banks and certain other financial assets. There is also off-balance-sheet credit exposure, such as credit commitments, letters of credit, guarantees, and acceptance notes. Currently, the Group's principal business is primarily concentrated in Dongguan City of Guangdong Province in China, which indicates that the Group's credit portfolio is subject to concentration risk and is more susceptible to changes in regional economic conditions. As a result, the management monitors its credit risk prudently. The Risk Management Department at Head Office of the Group is responsible for the daily management of the Group's overall credit risk, and reports to the Group's senior management timely.

The Group adopts standardized management for the whole business procedure of credit business, including credit investigation and declaration, credit review and approval, loan issuance, post-lending monitoring and NPL management. It comprehensively improves the credit risk management level by strictly regulating credit operation procedures, strengthening end-to-end loan management from pre-lending investigation, rating and assigning credit limits, review and approval, loan drawdown review, to post-lending monitoring, improving the risk mitigation effect of collateral, accelerating the recovering and disposal of NPLs, and promoting the upgrading of credit management system.

For the year ended December 31, 2020 and three months ended March 31, 2021, COVID-19 affected the operations of business enterprises in certain industries in some cities and provinces, including Hubei, as well as the overall economic performance of the country, and as a result, had a negative impact on the asset quality of the Group's credit assets and investments. In response to the government's anti-epidemic policies, the Group delivered timely solutions to assist existing customers who had been affected by the outbreak, including relief measures, and at the same time, further enhanced its credit risk monitoring and early warning management

system to step up credit risk monitoring. The Group and the Bank actively respond to the change of the credit environment by conducting regular analysis on credit risk situations and matters and taking precautionary risk control measures with a forward-looking vision.

The Non-performing Assets Management Committee is responsible for supervising the recovery and disposal of NPLs. The Group manages its NPLs mainly by the following methods: (1) collection; (2) restructuring; (3) disposal of collateral or seeking recourse against guarantors; (4) litigation or arbitration; and (5) write-off according to regulatory requirements, to minimize its losses from credit risks. If the Group, after executing all necessary procedures, still considers that it is not reasonably possible to expect to recover the whole or part of a loan, it shall be written off. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, the loans and advances to customers written off by the Group amounted to RMB437 million, RMB1,144 million, RMB787 million and nil respectively.

In addition to risks arising from credit assets, the Group manages the credit risk of treasury operations by carefully selecting banks and other financial institutions with appropriate credit levels as counterparties, balancing credit risk and investment return, comprehensively referring to internal and external credit rating information, grading credit, and using a timely credit line management system to review and adjust the credit line. In addition, the Group provides off-balance-sheet commitments and guarantees for its customers. There is a possibility that the Group will make payments on behalf of customers due to their default, and bear the risk similar to loans. Therefore, the Group adopts risk control procedures and policies similar to the credit business to reduce the credit risk.

42.1.2 Measurement of credit risk

(a) Loans

In accordance with the *Guidelines for the Classification of Loan Risks* issued by CBIRC, the Group establishes a management system regarding to the classification of loan risks, and implements five-level classification management. Loans are classified into five categories based on their risk levels, namely pass, special-mention, sub-standard, doubtful and loss, the latter three of which are regarded as impaired loans and advances. The primary factors considered in impairment assessment for loans include probability of loan repayment and recoverability of principal and interest, which reflect borrowers' repayment ability, repayment record and intention, profitability, guarantees or collateral and legal responsibility of repayment.

The five categories into which the Group classifies its loans and advances to customers are set out below:

- Pass: Borrowers can honor the terms of their loans. There is no reason to doubt their ability to repay principal and interest in full on a timely basis.
- Special-mention: Although there is no doubt on the borrower's ability to repay at this point in time, there exist potential factors that may adversely affect its ability to repay in the future.
- Sub-standard: Borrowers' ability to service their loans is in question and they cannot rely entirely on normal operating revenues to repay the principal and interest. There is possibility of some loss even when guarantee is executed and collateral is realized.

- Doubtful: Borrowers cannot repay principal and interest in full and there is possibility of substantial loss even when guarantee is executed and collateral is realized.
- Loss: After exhausting all possible means of recovery or necessary legal procedures, there is still no recovery of principal and interests, or the recovery is negligible.

(b) Bonds and other notes

The Group manages its credit risk exposures to bonds and other notes by setting restriction of investment size, issuer profile and rating and also post-investment management.

(c) Other financial investments

Other financial investments mainly comprise rights to earnings on credit assets, fund investments and direct financing instruments for WMPs. The Group has rating-based access policies in place towards the cooperating trust companies, securities companies and fund companies. Subsequent risk management is carried out on a regular basis.

(d) Interbank transactions

The Group reviews and monitors credit risk of individual financial institutions periodically and credit quota has been maintained for each bank and other institutions that having transactions with the Group.

(e) Financial guarantees and credit commitments

The primary purpose of financial guarantees and credit commitments is to ensure that customers can acquire the funds needed. Guarantees, acceptances of bills and letters of credit represent irrevocable commitments of the Group to fulfill the obligations of payment to a third party when the customers are unable to do so, with the same credit risk as loans. The amount of potential credit risk faced by the Group is equal to the total amount of its financial guarantees and credit commitments.

42.1.3 Risk limit control and mitigation measures

The Group prudently manages and controls the concentration of credit risk, including single borrower, group, industry and region. The Group has established related mechanism to set up credit risk limit which is bearable for single borrower, and make an assessment on credit risk limit at least once a year.

The Group has established a series of policies and taken various measures to mitigate the credit risk. Obtaining collateral, deposits and corporate or individual guarantee is one of important means for the Group to control the credit risk.

The collateral policy established by the Group stipulates the type of specific collateral that is acceptable, mainly including:

- Housing;
- Business assets such as premises, inventory and accounts receivable;
- Financial instruments such as debt securities and stocks.

The fair value of collateral or pledge is generally determined with the help of specialized valuation agencies designated by the Group. In order to reduce the credit risk, the Group has defined the maximum loan-to-value ratio (the ratio of the loan amount to the fair value of collateral or pledge) for different collateral or pledge. The main types of collateral or pledge for loans and advances and the corresponding maximum loan-to-value ratio are as follows:

Collateral	Maximum loan-to-value ratio	Pledge	Maximum loan-to-value ratio
Real estate — residential	70%	Wealth Management Products	95%
Real estate — commercial	70%	Certificates of deposit	95%
Machineries	30%	Treasury bonds (certificate bonds and saving bonds)	95%
Means of transportation	40%	Bank acceptance bills	95%
Mining right	40%	Precious metal	80%
Forest rights	40%	Inventories	30%
Rural land use rights	50%	Shares of public company listed on main boards	60%
		Intellectual properties	20%

For loans guaranteed by a third-party guarantor, the Group will assess the financial condition, credit history and ability to meet obligations of the guarantor.

42.1.4 Policies on provision for expected credit loss

The Group uses the “ECL model” to make provision for the impairment of financial assets measured at amortized cost and those designated at fair value through other comprehensive income, loan commitments and financial guarantee contracts.

(1) Division of stages

For financial instruments included in the measurement of ECL, the Group applies “three-stage” impairment model to measure the loss allowance and recognize the ECL in assessing whether the credit risk on a financial instrument has increased significantly since initial recognition.

- Stage 1: If the credit risk on a financial instrument has not increased significantly since initial recognition, the loss stage is classified as Stage 1.
- Stage 2: If the credit risk has increased significantly since initial recognition but it is not considered that the credit has been impaired on the financial instrument, the loss stage is classified as Stage 2.
- Stage 3: If the credit has been impaired on the financial instrument, the loss stage is classified as Stage 3.

The loss allowance for the financial instruments at Stage 1 is determined at the amount of the ECL on the financial instrument within the next 12 months. The loss allowance for the financial instruments at Stage 2 and Stage 3 is determined at the amount of the ECL on the financial instrument within the lifetime.

Various factors, such as five-level classification, number of overdue days and changes in credit ratings, will be taken into account when the credit risk increases significantly during assessment. These three stages are transferable. Financial instruments in the Stage 1 should be downgraded into Stage 2 in case of significant deterioration of credit risk.

(2) Judgement criteria for significant increase in credit risk

When one or more of the following quantitative and qualitative criteria or limit indicators are triggered, the Group considers that the credit risk of financial instrument has been significantly increased:

- The debtor breaches the contract and the principal or interest of the contract was overdue for more than 30 days.
- The significant negative influences appears in business, financing or economic position and indication for cash flow or liquidity problems for debtor.
- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for not more than 30 days.
- The debtor's external credit rating (issuer rating) is lower than the AA and higher than the CCC investment grade, comparing with its initial recognition date.
- There are significant changes in the economic, technical or legal environment in which the debtor is located in the current period or in the near future, and the Group will be affected adversely.

After the outbreak of COVID-19, in response to the government's anti-pandemic policies, the Group delivered relief measures to assist existing customers who had been affected. The Group prudently assesses the repayment ability of customers who apply for loan relief measures, and adopts measures, including deferred interest repayment, repayment plan adjustment, etc., for those meeting the policy standards, and at the same time, the Group also evaluates whether the credit risks of these customers have increased significantly.

In the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2020 and 2021, the Group did not consider any financial instruments as having low credit risk, so that its credit risk did not need to be evaluated on the reporting date, comparing with its initial recognition date.

(3) Definition of default and incurred loss

A financial asset will be defined as defaulted if it meets one or more of the following quantitative and qualitative criteria or limit indicators. This criterion is consistent with the definition of incurred loss:

- The debtor breached the contract and the principal or interest of the contract was overdue for more than 90 days.
- The principal or interest of bills, financial investments and financial assets with banks and other financial institutions was overdue for more than 30 days.

- The debtor's external credit rating (issuer rating) is lower than the CCC (inclusive) investment grade, or a default has occurred, comparing with its initial recognition date.
- The debtor is likely to go bankrupt or face other financial restructuring.
- The issuer of the financial instruments held by the Group is experiencing significant financial difficulty.
- The Group, for economic or legal reasons, grants a concession to the debtor who has financial difficulty.
- The active market for relevant financial assets disappears due to the financial difficulty of the borrower.

The above criteria apply to all financial instruments held by the Group; the definition of default is consistently applied to the ECL calculation process of the Group, including the model building of probability of default (PD), exposure at default (EAD) and loss given default (LGD).

When a financial instrument does not qualify for default for six consecutive months, the Group no longer considers it as an asset in default (it has been reversed). The Group adopts an observation period of six months based on relevant analyzes in which the Group has considered the possibility of a financial instrument re-entering the default status in various scenarios after it has been reversed.

(4) Calculation of expected credit loss: description of parameters, assumptions, and estimation techniques

The Group calculates the provision for impairment losses of different types of assets as 12-month ECL or lifetime ECL based on whether there was significant increase in credit risk and whether credit impairment occurred for assets. ECL is the product of exposure at default (EAD), probability of default (PD) and loss given default (LGD) after term adjustment and discount. Relevant definitions are as follows:

PD refers to the possibility that borrowers are unable to perform their repayment obligation in the next 12 months or during the rest of the lifetime.

LGD refers to the percentage of the risk exposure loss in the event of default. LGD varies with the type of the counterparty in the transaction, and the accessibility of collateral and other credit supports.

EAD refers to the repayment due to the Group when default occurs in the next 12 months or during the rest of the lifetime. The Group's EAD is determined based on the expected repayment arrangements and different types of products will have different EAD. For loans repaid on an installment basis or in a lump sum, the Group determines the EAD based on the repayment plan as agreed in the contract.

The Group determines the ECL by estimating the PD, LGD and EAD of an individual loan in each period. It multiplies these three values and adjusts their existence (in case of no early repayment or default). This approach can effectively calculate the ECL of each future period. The calculation results of all periods are then discounted to the reporting date and summed up. Discount rates used to calculate the ECL are the actual interest rate or the approximation thereof.

In 2018, 2019 and 2020 and for the three months ended March 31, 2021, there was no significant change in the above estimation techniques or key assumptions.

(5) Forward-looking information in the expected credit loss model

Through historical data analysis, the Group identifies key economic indicators that affect the credit risk and ECL of each business types, such as China real estate climate index, year-on-year (YOY) growth rate of registered urban unemployment rate, YOY growth rate of money supply (M2), business climate index, YOY accumulated consumer price index and YOY accumulated Balance of Trade.

The Group considers internal and external data, expert forecasts and statistical analysis to determine the relationship between these economic indicators and PD. The Group regularly conducts the forecast on three types of domestic macro scenarios and macro-economic indicators such as optimistic, basic and pessimistic for asset impairment model.

In 2020, the impact of COVID-19 on the macro economy and the banking industry was fully considered in the forward-looking information used by the Group to assess the measurement model of expected credit losses.

As at December 31, 2018, comparing with the weighted average scenario, the Group's credit impairment provision would decrease by RMB551 million under the base scenario, increase by RMB1,140 million under the pessimistic scenario and decrease by RMB1,791 million under the optimistic scenario; the Bank's credit impairment provision would decrease by RMB532 million under the base scenario, increase by RMB811 million under the pessimistic scenario and decrease by RMB1,982 million under the optimistic scenario.

As at December 31, 2019, comparing with the weighted average scenario, the Group's credit impairment provision would decrease by RMB1,032 million under the base scenario, increase by RMB 1,512 million under the pessimistic scenario and decrease by RMB3,290 million under the optimistic scenario; the Bank's credit impairment provision would decrease by RMB626 million under the base scenario, increase by RMB981 million under the pessimistic scenario and decrease by RMB2,567 million under the optimistic scenario.

As at December 31, 2020, comparing with the weighted average scenario, the Group's credit impairment provision would decrease by RMB4,045 million under the base scenario, increase by RMB 5,360 million under the pessimistic scenario and decrease by RMB7,794 million under the optimistic scenario; the Bank's credit impairment provision would decrease by RMB3,761 million under the base scenario, increase by RMB4,985 million under the pessimistic scenario and decrease by RMB7,248 million under the optimistic scenario.

As at March 31, 2021, comparing with the weighted average scenario, the Group's credit impairment provision would decrease by RMB4,446 million under the base scenario, increase by RMB5,859 million under the pessimistic scenario and decrease by RMB8,268 million under the optimistic scenario; the Bank's credit impairment provision would decrease by RMB4,058 million under the base scenario, increase by RMB5,352 million under the pessimistic scenario and decrease by RMB7,586 million under the optimistic scenario.

(6) The Group's management have taken other factors that are not included in the model into account, and additional adjustment have been made to the ECL (the "Management overlay") to improve its risk compensation capability.

In 2020 and the period ended March 31, 2021, the Group assessed the relevant impacts under the expected credit loss model with consideration to the significant impact of COVID-19 on the macro economy, and

increased the loss provision for loan assets receiving relief solutions and loan assets of industries highly affected by COVID-19 to further boost the risk compensation capability. The amount increased is considered to be insignificant compared to the loss provision.

(7) Grouping for ECL provision

The Group classified the exposures with similar characteristics when collectively assessing the ECL provision.

The characteristics for grouping are as follows:

Personal loans

- Product types (for instance, personal business loans, personal consumption loans, personal property mortgages, credit cards)

Corporate loans

- Industry

Exposures evaluated by impairment assessment

- Corporate loans in Stage 3

Credit risk team monitors and reviews the grouping appropriateness regularly.

42.1.5 Maximum exposures to credit risk before considering collateral held or other credit enhancements

The Group	As at December 31, 2018				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Balances with central banks	38,686,306	—	—	—	38,686,306
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	15,033,574	—	—	—	15,033,574
Loans and advances to customers	155,752,520	1,140,561	552,580	—	157,445,661
Financial investments					
— Financial assets at fair value through profit or loss	—	—	—	34,974,737	34,974,737
— Financial investments at amortized cost	67,473,764	505,795	—	—	67,979,559
— Financial investments at fair value through other comprehensive income	82,762,102	2,592,650	76,409	611,943	86,043,104
Other financial assets ^(a)	57,857	—	—	—	57,857
Sub-total	359,766,123	4,239,006	628,989	35,586,680	400,220,798
Off-balance sheet items					
Bank acceptances	1,454,085	—	—	—	1,454,085
Letters of credit	227,102	—	—	—	227,102
Guarantees	372,010	—	—	—	372,010
Unused limit of credit cards	7,764,250	6,728	402	—	7,771,380
Sub-total	9,817,447	6,728	402	—	9,824,577
Total	369,583,570	4,245,734	629,391	35,586,680	410,045,375

The Group	As at December 31, 2019				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Balances with central banks	37,101,062	—	—	—	37,101,062
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	21,299,663	—	—	—	21,299,663
Loans and advances to customers	196,720,730	1,634,922	614,986	—	198,970,638
Financial investments					
— Financial assets at fair value through profit or loss	—	—	—	30,254,846	30,254,846
— Financial investments at amortized cost	86,658,332	211,246	—	—	86,869,578
— Financial investments at fair value through other comprehensive income	75,162,734	2,151,711	473,291	563,149	78,350,885
Other financial assets ^(a)	166,095	—	—	—	166,095
Sub-total	417,108,616	3,997,879	1,088,277	30,817,995	453,012,767
Off-balance sheet items					
Bank acceptances	1,201,940	—	—	—	1,201,940
Letters of credit	203,830	—	—	—	203,830
Guarantees	622,963	—	—	—	622,963
Unused limit of credit cards	9,009,524	8,425	18,854	—	9,036,803
Sub-total	11,038,257	8,425	18,854	—	11,065,536
Total	428,146,873	4,006,304	1,107,131	30,817,995	464,078,303

The Group	As at December 31, 2020				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Balances with central banks	36,144,159	—	—	—	36,144,159
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	18,707,434	—	—	—	18,707,434
Loans and advances to customers	252,027,424	2,027,049	587,289	—	254,641,762
Financial investments					
— Financial assets at fair value through profit or loss	—	—	—	36,101,567	36,101,567
— Financial investments at amortized cost	111,454,975	177,889	35,069	—	111,667,933
— Financial investments at fair value through other comprehensive income	77,400,061	1,165,685	811,150	566,705	79,943,601
Other financial assets ^(a)	503,309	—	—	—	503,309
Sub-total	496,237,362	3,370,623	1,433,508	36,668,272	537,709,765
Off-balance sheet items					
Bank acceptances	1,579,874	—	821	—	1,580,695
Letters of credit	245,179	—	—	—	245,179
Guarantees	1,222,974	—	—	—	1,222,974
Unused limit of credit cards	9,465,079	31,465	158,610	—	9,655,154
Sub-total	12,513,106	31,465	159,431	—	12,704,002
Total	508,750,468	3,402,088	1,592,939	36,668,272	550,413,767

The Group	As at March 31, 2021				
	Stage 1	Stage 2	Stage 3	N/A	Total
Assets					
Balances with central banks	34,325,950	—	—	—	34,325,950
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	19,338,941	—	—	—	19,338,941
Loans and advances to customers	266,560,322	1,433,315	696,246	—	268,689,883
Financial investments					
— Financial assets at fair value through profit or loss	—	—	—	37,097,217	37,097,217
— Financial investments at amortized cost	109,521,468	248,918	—	—	109,770,386
— Financial investments at fair value through other comprehensive income	82,132,797	979,427	451,594	575,204	84,139,022
Other financial assets ^(a)	267,223	—	—	—	267,223
Sub-total	512,146,701	2,661,660	1,147,840	37,672,421	553,628,622
Off-balance sheet items					
Bank acceptances	1,589,681	83,330	821	—	1,673,832
Letters of credit	274,123	—	—	—	274,123
Guarantees	1,199,674	8,001	—	—	1,207,675
Unused limit of credit cards	9,968,059	—	—	—	9,968,059
Sub-total	13,031,537	91,331	821	—	13,123,689
Total	525,178,238	2,752,991	1,148,661	37,672,421	566,752,311

(a) Other financial assets include interest receivable and other receivables.

42.1.6 Loans and advances to customers

(a) Industry analysis

The Group	As at December 31, 2018		As at December 31, 2019		As at December 31, 2020		As at March 31, 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	Corporate loans and advances							
Wholesale and retail	20,452,755	12.43%	23,342,203	11.34%	22,739,694	8.68%	24,324,714	8.80%
Leasing and commercial services	19,595,607	11.90%	22,636,244	10.97%	24,737,267	9.44%	27,505,478	9.95%
Manufacturing	14,325,940	8.70%	16,944,425	8.21%	27,023,030	10.32%	27,839,176	10.08%
Construction	16,908,784	10.27%	17,791,344	8.63%	20,821,976	7.95%	22,276,213	8.06%
Real estate	8,407,745	5.11%	9,259,069	4.49%	10,804,318	4.12%	12,667,618	4.58%
Finance	—	0.00%	—	0.00%	7,514,009	2.87%	5,603,508	2.03%
Production and supply of power, gas and water	4,878,783	2.96%	4,501,786	2.18%	5,322,414	2.03%	5,906,007	2.14%
Transportation, logistics and postal services	2,075,756	1.26%	3,449,037	1.67%	3,898,019	1.49%	3,804,003	1.38%
Water, environment and public utilities management	2,070,262	1.26%	1,804,002	0.87%	2,101,477	0.80%	2,330,973	0.84%
Health, social security, and welfare	1,465,869	0.89%	2,008,722	0.97%	2,539,030	0.97%	2,537,037	0.92%
Education	994,093	0.60%	1,715,793	0.83%	2,212,017	0.84%	2,255,880	0.82%
Information transmission, software and IT services	924,698	0.56%	757,869	0.37%	823,027	0.31%	1,087,365	0.39%
Hotels and catering industries	920,717	0.56%	1,138,353	0.55%	1,381,991	0.53%	1,355,186	0.49%
Agriculture, forestry, animal husbandry and fishery	802,865	0.49%	988,920	0.48%	1,291,506	0.49%	1,501,575	0.54%
Residential services and other services	748,632	0.45%	565,495	0.27%	378,874	0.14%	353,307	0.13%
Culture, sports, and entertainment	539,471	0.33%	504,499	0.24%	437,245	0.17%	38,426	0.01%
Scientific research and technical services, and geological prospecting	348,516	0.21%	262,343	0.13%	254,756	0.10%	239,303	0.09%
Mining	10,800	0.01%	5,000	0.00%	5,000	0.00%	—	0.00%
Public management and social organizations	8,771	0.01%	7,164	0.00%	13,655	0.01%	23,856	0.01%
Sub-total	95,480,064	58.00%	107,682,268	52.20%	134,299,305	51.26%	141,649,625	51.26%
Personal loans and advances								
Operational loans	9,766,506	5.93%	18,001,008	8.73%	25,609,633	9.78%	27,604,002	9.99%
Property mortgages	23,568,308	14.31%	32,441,169	15.73%	37,665,358	14.38%	39,788,331	14.40%
Advances of credit cards	10,870,652	6.60%	10,516,314	5.10%	8,223,874	3.14%	7,601,216	2.75%
Consumption loans	5,336,279	3.24%	19,089,851	9.26%	26,517,031	10.12%	30,080,262	10.89%
Sub-total	49,541,745	30.08%	80,048,342	38.82%	98,015,896	37.42%	105,073,811	38.03%
Rediscounted bills and other loans	19,331,004	11.74%	18,096,198	8.77%	29,135,410	11.12%	29,027,241	10.50%
Accrued interest	304,589	0.18%	438,358	0.21%	531,968	0.20%	591,851	0.21%
Total loans and advances to customers	164,657,402	100.00%	206,265,166	100.00%	261,982,579	100.00%	276,342,528	100.00%

(b) Type of collateral analysis

The Group	As at December 31,		As at March 31,	
	2018	2019	2020	2021
Collateralized loans	88,589,116	113,050,801	134,641,697	144,891,543
Pledged loans	30,769,170	28,847,699	39,107,865	39,371,234
Guaranteed loans	31,566,841	35,717,162	54,441,652	57,356,985
Unsecured loans	13,427,686	28,211,146	33,259,397	34,130,915
Sub-total	164,352,813	205,826,808	261,450,611	275,750,677
Accrued interest	304,589	438,358	531,968	591,851
Total	164,657,402	206,265,166	261,982,579	276,342,528

(c) Concentration analysis by geographical regions

The Group	As at December 31, 2018		As at December 31, 2019		As at December 31, 2020		As at March 31, 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	Dongguan	155,563,219	94.48%	169,039,030	81.95%	214,171,472	81.75%	220,674,871
Zhanjiang	—	—	11,940,381	5.79%	14,320,357	5.47%	15,670,660	5.67%
Others	8,789,594	5.34%	24,847,397	12.05%	32,958,782	12.58%	39,405,145	14.26%
Accrued interest	304,589	0.18%	438,358	0.21%	531,968	0.20%	591,852	0.20%
Total	164,657,402	100.00%	206,265,166	100.00%	261,982,579	100.00%	276,342,528	100.00%

Concentration analysis of overdue loans and advances to customers by geographical regions

The Group	As at December 31, 2018		As at December 31, 2019		As at December 31, 2020		As at March 31, 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	Dongguan	2,520,669	78.34%	2,253,267	75.51%	1,506,259	59.11%	2,032,086
Zhanjiang	—	—	508,836	17.05%	352,520	13.83%	499,656	15.87%
Others	696,897	21.66%	222,106	7.44%	689,457	27.06%	615,907	19.57%
Total	3,217,566	100.00%	2,984,209	100.00%	2,548,236	100.00%	3,147,649	100.00%

- (d) Analysis by overdue days and impairment evaluation
- (1) The maximum credit risk exposures of loans and advances are analyzed by overdue days as follows:

The Group	As at December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans and advances				
Overdue days				
Not overdue	109,608,729	1,647,538	1,166,324	112,422,591
Between 0 and 30 days	27,982	241,364	—	269,346
Between 30 and 60 days	—	412,356	57,311	469,667
Between 60 and 90 days	—	45,969	40,645	86,614
More than 90 days/Default	—	—	1,740,884	1,740,884
Total	109,636,711	2,347,227	3,005,164	114,989,102
Provision for ECL	(2,139,082)	(1,301,725)	(2,520,690)	(5,961,497)
Net amount	107,497,629	1,045,502	484,474	109,027,605

The Group	As at December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Personal loans and advances				
Overdue days				
Not overdue	48,970,240	43,143	3,862	49,017,245
Between 0 and 30 days	90,991	42,486	941	134,418
Between 30 and 60 days	—	92,301	77,152	169,453
Between 60 and 90 days	—	53,580	10,867	64,447
More than 90 days/Default	—	—	282,737	282,737
Total	49,061,231	231,510	375,559	49,668,300
Provision for ECL	(806,340)	(136,451)	(307,453)	(1,250,244)
Net amount	48,254,891	95,059	68,106	48,418,056

The Group	As at December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans and advances				
Overdue days				
Not overdue	120,698,077	2,154,769	1,201,031	124,053,877
Between 0 and 30 days	67,671	209,241	883	277,795
Between 30 and 60 days	—	76,605	22,018	98,623
Between 60 and 90 days	—	50,551	97,229	147,780
More than 90 days/Default	—	—	1,436,902	1,436,902
Total	120,765,748	2,491,166	2,758,063	126,014,977
Provision for ECL	(2,253,170)	(1,221,114)	(2,244,738)	(5,719,022)
Net amount	118,512,578	1,270,052	513,325	120,295,955

The Group	As at December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Personal loans and advances				
Overdue days				
Not overdue	79,070,921	146,866	9,293	79,227,080
Between 0 and 30 days	225,561	157,946	5,840	389,347
Between 30 and 60 days	14,536	140,183	29,078	183,797
Between 60 and 90 days	—	66,265	47,574	113,839
More than 90 days/Default	—	—	336,126	336,126
Total	79,311,018	511,260	427,911	80,250,189
Provision for ECL	(1,102,866)	(146,390)	(326,250)	(1,575,506)
Net amount	78,208,152	364,870	101,661	78,674,683

The Group	As at December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans and advances				
Overdue days				
Not overdue	158,443,070	3,187,454	924,868	162,555,392
Between 0 and 30 days	10,606	81,041	14,080	105,727
Between 30 and 60 days	—	26,659	7,000	33,659
Between 60 and 90 days	—	39,681	25,486	65,167
More than 90 days/Default	—	—	985,988	985,988
Total	158,453,676	3,334,835	1,957,422	163,745,933
Provision for ECL	(2,406,004)	(1,755,896)	(1,523,624)	(5,685,524)
Net amount	156,047,672	1,578,939	433,798	158,060,409

APPENDIX I
ACCOUNTANT'S REPORT

The Group	As at December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Personal loans and advances				
Overdue days				
Not overdue	96,549,633	274,358	54,960	96,878,951
Between 0 and 30 days	208,096	135,811	25,626	369,533
Between 30 and 60 days	—	164,662	77,622	242,284
Between 60 and 90 days	—	70,067	130,908	200,975
More than 90 days/Default	—	—	544,903	544,903
Total	96,757,729	644,898	834,019	98,236,646
Provision for ECL	(777,977)	(196,788)	(680,528)	(1,655,293)
Net amount	95,979,752	448,110	153,491	96,581,353
The Group	As at March 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Corporate loans and advances				
Overdue days				
Not overdue	165,687,002	1,832,658	1,903,575	169,423,235
Between 0 and 30 days	240,194	155,448	107,569	503,211
Between 30 and 60 days	—	7,543	6,454	13,997
Between 60 and 90 days	—	47,483	2,035	49,518
More than 90 days/Default	—	—	1,033,296	1,033,296
Total	165,927,196	2,043,132	3,052,929	171,023,257
Provision for ECL	(2,287,224)	(1,133,578)	(2,510,331)	(5,931,133)
Net amount	163,639,972	909,554	542,598	165,092,124
The Group	As at March 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Personal loans and advances				
Overdue days				
Not overdue	103,383,749	337,543	50,352	103,771,644
Between 0 and 30 days	190,837	167,546	4,682	363,065
Between 30 and 60 days	—	238,657	19,398	258,055
Between 60 and 90 days	—	108,637	142,861	251,498
More than 90 days/Default	—	—	675,009	675,009
Total	103,574,586	852,383	892,302	105,319,271
Provision for ECL	(654,237)	(328,621)	(738,654)	(1,721,512)
Net amount	102,920,349	523,762	153,648	103,597,759

(2) Overdue loans and advances to customers are set out by collateral type and overdue days as follows:

The Group	As at December 31, 2018				
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and 1 year (inclusive)	Overdue between 1 and 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	57,572	75,842	733	92	134,239
Guaranteed loans	297,044	315,303	157,033	2,775	772,155
Collateralized loans	460,264	372,820	427,636	319,677	1,580,397
Pledged loans	379,065	293,477	55,312	2,921	730,775
Total	1,193,945	1,057,442	640,714	325,465	3,217,566

The Group	As at December 31, 2019				
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and 1 year (inclusive)	Overdue between 1 and 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	202,228	47,601	39,976	10,996	300,801
Guaranteed loans	215,381	107,698	273,094	6,943	603,116
Collateralized loans	784,143	307,593	278,468	52,947	1,423,151
Pledged loans	9,429	229,563	413,770	4,379	657,141
Total	1,211,181	692,455	1,005,308	75,265	2,984,209

The Group	As at December 31, 2020				
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and 1 year (inclusive)	Overdue between 1 and 3 years (inclusive)	Overdue for more than 3 years	Total
Unsecured loans	400,081	149,112	57,043	14,790	621,026
Guaranteed loans	149,125	54,754	188,803	73,084	465,766
Collateralized loans	468,139	422,977	242,535	8,787	1,142,438
Pledged loans	—	2,440	267,717	48,849	319,006
Total	1,017,345	629,283	756,098	145,510	2,548,236

The Group	As at March 31, 2021				Total
	Overdue between 1 and 90 days (inclusive)	Overdue between 90 days and 1 year (inclusive)	Overdue between 1 and 3 years (inclusive)	Overdue for more than 3 years	
Unsecured loans	425,051	158,192	107,766	16,029	707,038
Guaranteed loans	224,112	58,258	194,183	73,069	549,622
Collateralized loans	788,081	484,393	240,253	58,190	1,570,917
Pledged loans	2,100	2,400	20,578	294,994	320,072
Total	1,439,344	703,243	562,780	442,282	3,147,649

(e) Loans and advances to customers impaired/at Stage 3

The total amounts of loans and advances to customers impaired/at Stage 3 are set out as follows:

The Group	As at December 31,			As at
	2018	2019	2020	March 31, 2021
Corporate loans and advances	3,005,164	2,758,063	1,957,422	3,052,929
Personal loans and advances	375,559	427,911	834,019	892,302
Total	3,380,723	3,185,974	2,791,441	3,945,231
Fair value of collateral				
— Corporate loans and advances	1,296,927	1,234,566	627,441	633,074
— Personal loans and advances	174,889	189,592	423,318	441,318
Total	1,471,816	1,424,158	1,050,759	1,074,392

The fair value of collateral is determined based on the latest available external valuation prices, adjusted for the current experiences of collateral realization and market conditions.

Concentration of loans and advances to customers impaired/at Stage 3 by geographical regions

The Group	As at December 31, 2018		As at December 31, 2019		As at December 31, 2020		As at March 31, 2021	
	Amount	%	Amount	%	Amount	%	Amount	%
	Dongguan	3,074,062	90.93%	2,987,080	93.76%	2,423,087	86.80%	3,434,525
Zhanjiang	—	—	62,183	1.95%	189,805	6.80%	190,791	4.84%
Others	306,661	9.07%	136,711	4.29%	178,549	6.40%	319,915	8.11%
Total	3,380,723	100.00%	3,185,974	100.00%	2,791,441	100.00%	3,945,231	100.01%

As at December 31, 2018, 2019 and 2020 and March 31, 2021, the Group's loans and advances to customers impaired/at Stage 3 accounted for 2.05%, 0.89%, 1.07% and 1.43% of total loans respectively.

(f) Restructured loans and advances to customers

Restructured loans refer to loans with renegotiated contract terms due to the change of borrower, guarantee or repayment. The Group reaches agreements with these borrowers in consideration of their financial difficulties or other condition. As at December 31, 2018, 2019 and 2020 and March 31, 2021, the Group's balances of restructured loans and advances to customers were RMB421 million, RMB173 million, RMB126 million and RMB134 million respectively.

42.1.7 Foreclosed assets

Foreclosed assets are disposed once they are sold and gains from the sale can be used to decrease the balance of liabilities. Usually the Group does not use recovered foreclosed assets for business activities. As at December 31, 2018, 2019 and 2020 and March 31, 2021, foreclosed assets were listed under other assets.

42.1.8 Debt instrument investments

(a) Debt instrument investments classified by borrower ratings

The credit risks of debt instrument investments are classified mainly based on their external credit ratings.

(1) The exposures of financial investments at amortized cost are analyzed as follows:

The Group	As at December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Credit ratings				
AA to AAA	25,586,143	—	—	25,586,143
CCC+ to AA-	—	515,921	—	515,921
CCC and below	—	—	—	—
Default	—	—	—	—
Unrated ⁽ⁱ⁾	<u>41,991,648</u>	<u>—</u>	<u>—</u>	<u>41,991,648</u>
Total	67,577,791	515,921	—	68,093,712
Provision for ECL	<u>(104,027)</u>	<u>(10,126)</u>	<u>—</u>	<u>(114,153)</u>
Net book value	<u>67,473,764</u>	<u>505,795</u>	<u>—</u>	<u>67,979,559</u>

The Group	As at December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Credit ratings				
AA to AAA	16,259,843	—	—	16,259,843
CCC+ to AA-	—	217,358	—	217,358
CCC and below	—	—	—	—
Default	—	—	—	—
Unrated ⁽ⁱ⁾	70,518,405	—	—	70,518,405
Total	86,778,248	217,358	—	86,995,606
Provision for ECL	(119,916)	(6,112)	—	(126,028)
Net book value	<u>86,658,332</u>	<u>211,246</u>	<u>—</u>	<u>86,869,578</u>
The Group	As at December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Credit ratings				
AA to AAA	19,770,183	—	—	19,770,183
CCC+ to AA-	—	181,001	—	181,001
CCC and below	—	—	53,038	53,038
Default	—	—	—	—
Unrated ⁽ⁱ⁾	91,784,675	—	—	91,784,675
Total	111,554,858	181,001	53,038	111,788,897
Provision for ECL	(99,883)	(3,112)	(17,969)	(120,964)
Net book value	<u>111,454,975</u>	<u>177,889</u>	<u>35,069</u>	<u>111,667,933</u>
The Group	As at March 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Credit ratings				
AA to AAA	21,516,029	41,112	—	21,557,141
CCC+ to AA-	—	211,687	—	211,687
CCC and below	—	—	—	—
Default	—	—	—	—
Unrated ⁽ⁱ⁾	88,113,170	—	—	88,113,170
Total	109,629,199	252,799	—	109,881,998
Provision for ECL	(110,000)	(1,612)	—	(111,612)
Net book value	<u>109,519,199</u>	<u>251,187</u>	<u>—</u>	<u>109,770,386</u>

- (2) The exposures of financial investments at fair value through other comprehensive income are analyzed as follows:

The Group	As at December 31, 2018			
	Stage 1	Stage 2	Stage 3	Total
Credit ratings				
AA to AAA	58,436,466	—	—	58,436,466
CCC+ to AA-	—	2,592,650	—	2,592,650
CCC and below	—	—	72,724	72,724
Default	—	—	3,685	3,685
Unrated ⁽ⁱ⁾	<u>24,325,636</u>	<u>—</u>	<u>—</u>	<u>24,325,636</u>
Net book value	<u>82,762,102</u>	<u>2,592,650</u>	<u>76,409</u>	<u>85,431,161</u>

The Group	As at December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Credit ratings				
AA to AAA	37,679,495	—	—	37,679,495
CCC+ to AA-	—	2,151,711	—	2,151,711
CCC and below	—	—	458,373	458,373
Default	—	—	14,918	14,918
Unrated ⁽ⁱ⁾	<u>37,483,239</u>	<u>—</u>	<u>—</u>	<u>37,483,239</u>
Net book value	<u>75,162,734</u>	<u>2,151,711</u>	<u>473,291</u>	<u>77,787,736</u>

The Group	As at December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Credit ratings				
AA to AAA	19,869,750	—	—	19,869,750
CCC+ to AA-	—	1,165,685	—	1,165,685
CCC and below	—	—	240,630	240,630
Default	—	—	570,520	570,520
Unrated ⁽ⁱ⁾	<u>57,530,311</u>	<u>—</u>	<u>—</u>	<u>57,530,311</u>
Net book value	<u>77,400,061</u>	<u>1,165,685</u>	<u>811,150</u>	<u>79,376,896</u>

The Group	As at March 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Credit ratings				
AA to AAA	19,732,750	—	—	19,732,750
CCC+ to AA-	—	932,192	—	932,192
CCC and below	—	—	90,727	90,727
Default	—	—	408,102	408,102
Unrated ⁽ⁱ⁾	62,400,047	—	—	62,400,047
Net book value	82,132,797	932,192	498,829	83,563,818

(b) Debt instrument investments classified by facility ratings

The Group	As at December 31, 2018			
	Financial assets at fair value through profit or loss	Financial investments at amortized cost	Financial assets designated at fair value through other comprehensive income	Total
AA to AAA	8,906,036	19,206,672	34,158,638	62,271,346
CCC+ to AA-	340,102	—	209,630	549,732
CCC and below	6,337	—	27,651	33,988
Unrated ⁽ⁱ⁾	25,722,262	48,772,887	51,035,242	125,530,391
Total	34,974,737	67,979,559	85,431,161	188,385,457

The Group	As at December 31, 2019			
	Financial assets at fair value through profit or loss	Financial investments at amortized cost	Financial assets designated at fair value through other comprehensive income	Total
AA to AAA	7,636,377	41,067,591	26,363,180	75,067,148
CCC+ to AA-	20,709	—	132,310	153,019
CCC and below	23,228	—	26,706	49,934
Unrated ⁽ⁱ⁾	22,574,532	45,801,987	51,265,540	119,642,059
Total	30,254,846	86,869,578	77,787,736	194,912,160

The Group	As at December 31, 2020			
	Financial assets at fair value through profit or loss	Financial investments at amortized cost	Financial assets designated at fair value through other comprehensive income	Total
AA to AAA	4,885,711	42,210,336	19,065,483	66,161,530
CCC+ to AA-	198,379	241,587	94,379	534,345
CCC and below	1,444	—	92,268	93,712
Unrated ⁽ⁱ⁾	31,016,033	69,216,010	60,124,766	160,356,809
Total	36,101,567	111,667,933	79,376,896	227,146,396

The Group	As at March 31, 2021			
	Financial assets at fair value through profit or loss	Financial investments at amortized cost	Financial assets designated at fair value through other comprehensive income	Total
AA to AAA	4,580,852	43,015,665	18,862,682	66,459,199
CCC+ to AA-	347,020	39,919	94,566	481,505
CCC and below	1,444	—	89,959	91,403
Unrated ⁽ⁱ⁾	32,167,901	66,714,802	64,516,611	163,399,314
Total	37,097,217	109,770,386	83,563,818	230,431,421

- (i) The Group's unrated debt instrument investments comprise mainly of treasury bonds and local government bonds, financial bonds issued by policy banks, commercial bank bonds, non-bank financial institutions bonds and rights of earnings on credit assets.

42.2 Market risk

42.2.1 Overview

Market risk represents the potential loss arising from changes in market rates of interest and foreign exchange, as well as commodity and equity prices. Market risk arises from both the Group's proprietary positions and customer driven transactions, in both cases related to on and off-balance sheet activities.

The Group is primarily exposed to interest rate risk through its lending, fixed-income and funding activities. Interest rate risk is inherent in many of the Group's businesses and this situation is common among banks. It fundamentally arises through mismatches between the maturity and re-pricing dates of interest-earning assets and interest-bearing liabilities. As discussed further below, interest rate risk is actively managed.

Foreign exchange rate risk is the potential loss related to changes in foreign exchange rates affecting the translation of foreign currency denominated monetary assets and liabilities. The risk of loss results from movements in foreign currency exchange rates.

The Group's commodity risk is mainly from the fluctuation in price of gold. The Group considers that the market risk from commodity prices of trade and investment portfolios is not significant.

42.2.2 Market analysis metrics

To enhance the effectiveness of market risk management, as well as the accuracy of determining the levels of regulatory capital required related to market risk, the Group segregates all financial instruments and commodities, both on-and off-balance sheet, into either the trading book or banking book. The trading book is comprised of financial instruments and commodity positions held for trading. Any other financial instruments are included in the banking book.

The Group manages market risk in the trading book through methodologies that include, monitoring and management of established limits, sensitivity analysis, duration analysis, exposure analysis and stress testing. The Group has formulated policies, which are subject to review annually or as circumstances otherwise dictate, to manage market risk. Further, in this regard, the Group's market risk management is focused on movements in domestic and global financial markets, as well as the composition of the trading book and management's trading strategies, within approved limits. Moreover, the Group has implemented more specific policies for financial instruments, closely monitoring the exposure to specific issuers and counterparties, as well as the tenor of individual positions and trading strategies.

Market risk exposure limits are classified as either directive limits or indicative limits, based on the characteristics of the underlying instruments or transactions, including exposure limit monitoring, enforcement of stop-loss limits, and stress testing limits.

The Group is committed to continuous improvement of its market risk exposure limit management. The Group establishes exposure limits reflecting its risk appetite and continuously refines the categorization of market risk exposure limits. Further, it regularly monitors, reports, refines, and implements improvements to the market risk exposure limit process.

42.2.3 Interest rate risk

The interest rate risk existing in the banking book broadly relates to the mismatch of the maturity or re-pricing dates of interest rate-sensitive financial assets and financial liabilities, as well as inconsistencies in the change of the benchmark interest rates on which most domestic interest rate-sensitive financial assets and financial liabilities are based.

The Group closely monitors changes in the macro-economic environment and the monetary policies of the PBOC, enabling it to timely and flexibly adjust its pricing strategy. The Group establishes comprehensive interest rate risk management policies and protocols and has improved the consistency of interest rate risk measurement, monitoring, analysis and management of interest rate risk across the Group.

The Group regularly measures and analyzes the Group's interest rate risk by conducting gap analysis, sensitivity analysis, scenario analysis and stress testing to manage interest rate risk within established limits.

The tables below summarize the contractual maturity or re-pricing date, whichever is earlier, of the Group's financial assets and liabilities at the end of each reporting period.

As at December 31, 2018 The Group	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	38,686,306	—	—	—	1,610,576	40,296,882
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	14,377,660	655,914	—	—	—	15,033,574
Loans and advances to customers	114,658,406	34,729,738	6,656,362	1,401,155	—	157,445,661
Financial investments						
— Financial assets at fair value through profit or loss	6,661,675	13,639,844	3,715,149	4,534,570	6,423,499	34,974,737
— Financial investments at amortized cost	3,501,823	8,335,342	53,265,115	2,877,279	—	67,979,559
— Financial investments at fair value through other comprehensive income	2,476,893	21,295,550	55,606,307	6,052,411	611,943	86,043,104
Other financial assets	—	—	—	—	57,857	57,857
Total financial assets	180,362,763	78,656,388	119,242,933	14,865,415	8,703,875	401,831,374
Liabilities						
Borrowings from central banks	—	644,513	—	—	—	644,513
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	38,330,865	14,727,546	145,967	—	—	53,204,378
Financial liabilities at fair value through profit or loss	—	—	—	—	24,494	24,494
Deposits from customers	175,400,060	43,803,823	45,560,275	—	240,734	265,004,892
Debt securities issued	21,881,115	29,690,323	—	4,105,287	—	55,676,725
Lease liabilities	27,541	77,680	273,617	121,129	—	499,967
Other financial liabilities	—	—	—	—	460,615	460,615
Total financial liabilities	235,639,581	88,943,885	45,979,859	4,226,416	725,843	375,515,584
Interest rate gap	(55,276,818)	(10,287,497)	73,263,074	10,638,999	7,978,032	26,315,790

As at December 31, 2019 The Group	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	37,101,062	—	—	—	2,456,109	39,557,171
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	16,050,255	5,046,561	202,847	—	—	21,299,663
Loans and advances to customers	141,451,202	35,189,759	16,293,514	6,036,163	—	198,970,638
Financial investments						
— Financial assets at fair value through profit or loss	2,542,485	10,643,913	6,590,780	262,401	10,215,267	30,254,846
— Financial investments at amortized cost	—	15,565,442	66,979,435	4,324,701	—	86,869,578
— Financial investments at fair value through other comprehensive income	6,158,919	21,654,196	43,828,785	6,145,836	563,149	78,350,885
Other financial assets	—	—	—	—	166,095	166,095
Total financial assets	<u>203,303,923</u>	<u>88,099,871</u>	<u>133,895,361</u>	<u>16,769,101</u>	<u>13,400,620</u>	<u>455,468,876</u>
Liabilities						
Borrowings from central banks	512,164	2,089,000	—	—	—	2,601,164
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	35,360,649	11,012,510	—	—	—	46,373,159
Financial liabilities at fair value through profit or loss	—	—	—	—	132,398	132,398
Deposits from customers	195,694,693	51,614,568	66,100,269	—	807,475	314,217,005
Debt securities issued	24,069,921	28,031,673	2,057,468	4,112,608	—	58,271,670
Lease liabilities	29,068	78,472	260,082	88,761	—	456,383
Other financial liabilities	—	—	—	—	260,731	260,731
Total financial liabilities	<u>255,666,495</u>	<u>92,826,223</u>	<u>68,417,819</u>	<u>4,201,369</u>	<u>1,200,604</u>	<u>422,312,510</u>
Interest rate gap	<u>(52,362,572)</u>	<u>(4,726,352)</u>	<u>65,477,542</u>	<u>12,567,732</u>	<u>12,200,016</u>	<u>33,156,366</u>

As at December 31, 2020 The Group	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	36,144,159	—	—	—	2,432,295	38,576,454
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	18,373,135	330,000	4,299	—	—	18,707,434
Loans and advances to customers	165,810,611	46,734,327	21,507,912	20,588,912	—	254,641,762
Financial investments						
—Financial assets at fair value through profit or loss	3,845,320	3,924,328	5,949,379	1,885,663	20,496,877	36,101,567
—Financial investments at amortized cost	12,573,744	24,030,574	60,570,508	14,493,107	—	111,667,933
—Financial investments at fair value through other comprehensive income	4,656,457	17,750,254	33,700,372	23,269,813	566,705	79,943,601
Other financial assets	—	—	—	—	503,309	503,309
Total financial assets	<u>241,403,426</u>	<u>92,769,483</u>	<u>121,732,470</u>	<u>60,237,495</u>	<u>23,999,186</u>	<u>540,142,060</u>
Liabilities						
Borrowings from central banks	2,466,730	28,186,628	—	—	—	30,653,358
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	36,098,532	7,383,685	—	—	—	43,482,217
Financial liabilities at fair value through profit or loss	—	—	—	—	238,841	238,841
Deposits from customers	235,986,754	65,756,425	75,631,649	—	174,066	377,548,894
Debt securities issued	17,893,380	21,400,566	6,848,525	4,106,766	—	50,249,237
Lease liabilities	31,842	85,105	248,586	85,327	—	450,860
Other financial liabilities	—	13,700	1,227,401	1,227,401	1,133,321	3,601,823
Total financial liabilities	<u>292,477,238</u>	<u>122,826,109</u>	<u>83,956,161</u>	<u>5,419,494</u>	<u>1,546,228</u>	<u>506,225,230</u>
Interest rate gap	<u>(51,073,812)</u>	<u>(30,056,626)</u>	<u>37,776,309</u>	<u>54,818,001</u>	<u>22,452,958</u>	<u>33,916,830</u>

As at March 31, 2021 The Group	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
Assets						
Cash and balances with central banks	34,325,950	—	—	—	2,629,927	36,955,877
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	18,607,941	731,000	—	—	—	19,338,941
Loans and advances to customers	43,453,571	175,946,854	25,529,789	23,759,669	—	268,689,883
Financial investments						
— Financial assets at fair value through profit or loss	1,970,056	3,931,933	6,222,483	2,614,243	22,358,502	37,097,217
— Financial investments at amortized cost	10,873,556	17,198,844	66,275,457	15,422,529	—	109,770,386
— Financial investments at fair value through other comprehensive income	5,289,027	15,721,593	38,049,732	24,503,466	575,204	84,139,022
Other financial assets	—	—	—	—	267,223	267,223
Total financial assets	<u>114,520,101</u>	<u>213,530,224</u>	<u>136,077,461</u>	<u>66,299,907</u>	<u>25,830,856</u>	<u>556,258,549</u>
Liabilities						
Borrowings from central banks	5,397,753	24,472,849	—	—	—	29,870,602
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	35,425,058	10,165,737	—	—	—	45,590,795
Financial liabilities at fair value through profit or loss	—	—	—	—	230,174	230,174
Deposits from customers	233,044,722	74,516,431	81,865,662	—	214,489	389,641,304
Debt securities issued	16,908,675	26,350,600	7,526,093	3,995,533	—	54,780,901
Lease liabilities	32,212	82,470	245,262	73,193	—	433,137
Other financial liabilities	—	—	—	—	203,504	203,504
Total financial liabilities	<u>290,808,420</u>	<u>135,588,087</u>	<u>89,637,017</u>	<u>4,068,726</u>	<u>648,167</u>	<u>520,750,417</u>
Interest rate gap	<u>(176,288,319)</u>	<u>77,942,137</u>	<u>46,440,444</u>	<u>62,231,181</u>	<u>25,182,689</u>	<u>35,508,132</u>

The following table illustrates the potential impact, of a parallel upward or downward shift of 100 basis points in relevant interest rate curves on the Group's net Interest Income and other comprehensive income for the next twelve months from the reporting date, based on the Group's positions of interest-earning assets and interest-bearing liabilities at the end of each reporting period. This analysis assumes that interest rates of all maturities move by the same amount, and does not reflect the potential impact of unparallelled yield curve movements.

The sensitivity analysis on net interest income is based on reasonably possible changes in interest rates with the assumption that the structure of financial assets and financial liabilities held at the period end remains

unchanged, and does not take changes in customer behavior, basis risk or any prepayment options on debt securities into consideration.

The sensitivity analysis on other comprehensive income reflects only the effect of changes in fair value of those financial assets at fair value through other comprehensive income held, whose fair value changes are recorded as an element of other comprehensive income.

	Expected changes of net profit			
	As at December 31,			As at
	2018	2019	2020	March 31,
	2018	2019	2020	2021
+ 100 basis point parallel move in all yield curves	(391,688)	(356,922)	(419,706)	(937,680)
- 100 basis point parallel move in all yield curves	391,688	356,922	419,706	937,680

	Expected changes of other comprehensive income			
	As at December 31,			As at
	2018	2019	2020	March 31,
	2018	2019	2020	2021
+ 100 basis point parallel move in all yield curves	(1,132,722)	(1,189,014)	(1,927,592)	(2,003,922)
- 100 basis point parallel move in all yield curves	1,185,444	1,245,450	2,069,720	2,090,854

The assumptions do not reflect actions that might be taken under the Group's capital and interest rate risk management policy to mitigate changes to the Group's interest rate risk. Therefore the above analysis may differ from the actual situation.

In addition, the presentation of interest rate sensitivity above is for illustration purposes only, showing the potential impact on net interest income and other comprehensive income of the Group under different parallel yield curve movements, relative to their position at period-end.

42.2.4 Foreign exchange risk

Foreign exchange rate risk relates to the mismatch of foreign currency denominated monetary assets and liabilities, and the potential loss related to changes in foreign exchange rates, which largely arises through operational activities.

The Group performs monitoring and sensitivity analysis of foreign exchange rate risk exposure, manages the mismatch of foreign currency denominated assets and liabilities to effectively manage foreign exchange rate risk exposure within acceptable limits.

The Group and the Bank primarily conducts its business activities in RMB, with certain transactions denominated in USD, HKD and, to a lesser extent, other currencies. The composition of all financial assets and liabilities at the end of each reporting period analyzed by currency is as follows:

The Group	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)
As at December 31, 2018			
Assets			
Cash and balances with central banks	50,378	135,105	—
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	1,324,564	534,103	2,935
Loans and advances to customers	<u>332,151</u>	<u>9,822</u>	<u>1,485</u>
Total financial assets	<u>1,707,093</u>	<u>679,030</u>	<u>4,420</u>
Liabilities			
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1,203,785	—	—
Deposits from customers	<u>436,975</u>	<u>680,659</u>	<u>4,394</u>
Total financial liabilities	<u>1,640,760</u>	<u>680,659</u>	<u>4,394</u>
Net on-balance sheet position	<u><u>66,333</u></u>	<u><u>(1,629)</u></u>	<u><u>26</u></u>
Financial guarantees and credit commitments	<u><u>220,303</u></u>	<u><u>—</u></u>	<u><u>1,356</u></u>

<u>The Group</u>	<u>USD</u> <u>(RMB equivalent)</u>	<u>HKD</u> <u>(RMB equivalent)</u>	<u>Other currencies</u> <u>(RMB equivalent)</u>
As at December 31, 2019			
Assets			
Cash and balances with central banks	50,365	116,523	—
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	115,972	438,788	520
Loans and advances to customers	423,659	85,560	1,365
Total financial assets	<u>589,996</u>	<u>640,871</u>	<u>1,885</u>
Liabilities			
Deposits from customers	531,491	657,661	10,086
Net on-balance sheet position	<u>58,505</u>	<u>(16,790)</u>	<u>(8,201)</u>
Financial guarantees and credit commitments	<u>156,590</u>	<u>—</u>	<u>937</u>
As at December 31, 2020			
Assets			
Cash and balances with central banks	58,584	104,040	—
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	297,617	399,822	2,101
Loans and advances to customers	275,281	95,113	—
Total financial assets	<u>631,482</u>	<u>598,975</u>	<u>2,101</u>
Liabilities			
Deposits from customers	598,305	614,464	5,764
Net on-balance sheet position	<u>33,177</u>	<u>(15,489)</u>	<u>(3,663)</u>
Financial guarantees and credit commitments	<u>215,937</u>	<u>—</u>	<u>2,246</u>

<u>The Group</u>	<u>USD</u> <u>(RMB equivalent)</u>	<u>HKD</u> <u>(RMB equivalent)</u>	<u>Other currencies</u> <u>(RMB equivalent)</u>
As at March 31, 2021			
Assets			
Cash and balances with central banks	68,666	102,575	—
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	306,175	406,332	636
Loans and advances to customers	<u>232,216</u>	<u>92,365</u>	<u>—</u>
Total financial assets	<u>607,057</u>	<u>601,272</u>	<u>636</u>
Liabilities			
Deposits from customers	<u>601,861</u>	<u>592,502</u>	<u>6,385</u>
Net on-balance sheet position	<u>5,196</u>	<u>8,770</u>	<u>(5,749)</u>
Financial guarantees and credit commitments	<u>234,100</u>	<u>—</u>	<u>2,156</u>

The table below indicates the potential effect on net profit arising from a 10% appreciation or depreciation of RMB spot and forward foreign exchange rates against USD on the net positions of foreign currency monetary assets and liabilities in the consolidated statement of financial position.

<u>The Group</u>	<u>As at December 31,</u>			<u>As at</u>
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>March 31,</u>
				<u>2021</u>
USD/RMB 10% appreciation	<u>4,975</u>	<u>4,388</u>	<u>2,488</u>	<u>390</u>
USD/RMB 10% depreciation	<u>(4,975)</u>	<u>(4,388)</u>	<u>(2,488)</u>	<u>(390)</u>

The effect on net profit and other comprehensive income is calculated based on the assumption that the Group's foreign currency sensitive exposures at the end of each reporting period remain unchanged. The Group mitigates its foreign exchange rate risk through active management of its foreign currency exposures, based on management expectation of future foreign currency exchange rate movements. Such analysis does not take into account the correlation effect of changes in different foreign currencies, nor any further actions that could be taken by management to mitigate the effect of foreign exchange differences. Therefore, the sensitivity analysis above may differ from actual results occurring through changes in foreign exchange rates.

42.3 Liquidity risk

42.3.1 Overview

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group's Finance Department and Financial Market Department manage its liquidity risk via:

- Optimizing the asset and liability structures;
- Making projections of future cash flows, and evaluating the appropriate liquid asset position;
- Maintaining reasonable liquidity reserve;
- Conducting stress testing regularly.

42.3.2 Analysis of the undiscounted contractual cash flows

The tables below set forth undiscounted contractual cash flows of the Group's and the Bank's financial assets and liabilities by remaining contractual maturities at the end of the reporting period:

The Group	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
As at December 31, 2018								
Financial assets								
Cash and balances with central banks	9,228,981	—	—	—	—	—	31,086,226	40,315,207
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	2,132,404	11,026,329	1,264,727	1,027,902	—	—	—	15,451,362
Loans and advances to customers	3,863,408	6,052,289	15,680,776	44,118,158	55,186,047	82,047,445	—	206,948,123
Financial investments	—	3,476,393	4,834,873	17,072,790	5,133,331	551,667	6,423,499	37,492,553
— Financial assets at fair value through profit or loss	—	3,374,707	638,888	10,509,122	58,070,596	3,213,033	—	75,806,346
— Financial investments at amortized cost	—	—	—	—	—	—	—	—
— Financial investments at fair value through other comprehensive income	119,356	741,141	1,626,096	21,092,655	67,527,773	7,188,555	611,943	98,907,519
Other financial assets	49,449	—	—	—	—	—	8,408	57,857
Total financial assets	15,393,598	24,670,859	24,045,360	93,820,627	185,917,747	93,000,700	38,130,076	474,978,967
Financial liabilities								
Borrowings from central banks	—	—	—	661,390	—	—	—	661,390
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	2,314,109	26,182,527	10,127,009	15,126,988	183,139	2,858	—	53,936,630
Financial liabilities at fair value through profit or loss	143,761,723	19,022,150	19,933,255	50,108,850	52,329,204	—	4,572	24,494
Deposits from customers	—	4,570,000	17,480,000	30,490,000	800,000	4,800,000	—	285,155,182
Debt securities issued	—	10,533	19,964	85,586	309,853	146,580	—	58,140,000
Lease liabilities	379,334	6,773	13,547	60,961	—	—	—	572,516
Other financial liabilities	—	—	—	—	—	—	—	460,615
Total financial liabilities	146,455,166	49,791,983	47,573,775	96,553,697	53,622,196	4,949,438	4,572	398,950,827
Net position	(131,061,568)	(25,121,124)	(23,528,415)	(2,733,070)	132,295,551	88,051,262	38,125,504	76,028,140

The Group	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
As at December 31, 2019								
Financial assets								
Cash and balances with central banks	11,062,799	—	—	—	—	—	28,509,797	39,572,596
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	6,318,423	7,144,298	2,683,145	5,219,418	219,293	—	—	21,584,577
Loans and advances to customers	4,977,907	8,137,819	17,484,439	52,063,500	68,643,160	114,363,970	—	265,670,795
Financial investments								
— Financial assets at fair value through profit or loss	23,228	1,520,383	1,157,054	11,051,819	7,184,058	314,692	10,215,267	31,466,501
— Financial investments at amortized cost	—	—	—	18,878,557	72,900,806	4,848,505	—	96,627,868
— Financial investments at fair value through other comprehensive income	106,951	—	6,907,590	22,400,718	50,763,360	8,185,125	563,149	88,926,893
Other financial assets	153,752	—	—	—	—	—	12,343	166,095
Total financial assets	22,643,060	16,802,500	28,232,228	109,614,012	199,710,677	127,712,292	39,300,556	544,015,325
Financial liabilities								
Borrowings from central banks	2,164	—	513,078	2,131,631	—	—	—	2,646,873
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	2,315,104	26,558,562	6,709,604	11,330,130	—	—	—	46,913,400
Financial liabilities at fair value through profit or loss	—	—	—	127,119	—	—	6,984	134,103
Deposits from customers	177,016,903	10,221,010	16,567,936	53,149,073	67,576,092	—	—	324,531,014
Debt securities issued	—	2,820,000	21,540,000	28,370,000	2,057,468	4,112,608	—	58,900,076
Lease liabilities	—	10,797	20,779	85,775	292,790	107,951	—	518,092
Other financial liabilities	123,512	11,435	22,870	102,914	—	—	—	260,731
Total financial liabilities	179,457,683	39,621,804	45,374,267	95,296,642	69,926,350	4,220,559	6,984	433,904,289
Net position	(156,814,623)	(22,819,304)	(17,142,039)	14,317,370	129,784,327	123,491,733	39,293,572	110,111,036

The Group	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
As at December 31, 2020								
Financial assets								
Cash and balances with central banks	11,359,229	—	—	—	—	—	27,232,163	38,591,392
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	11,008,374	6,717,895	656,333	335,395	17,743	—	—	18,735,740
Loans and advances to customers	7,144,433	7,992,575	23,572,639	64,630,903	82,170,486	153,825,876	—	339,336,912
Financial investments								
— Financial assets at fair value through profit or loss	1,765	1,855,334	2,005,771	4,186,882	6,619,712	2,144,426	20,496,877	37,310,767
— Financial investments at amortized cost	—	4,631,556	8,734,197	26,263,235	67,193,365	16,932,228	—	123,754,581
— Financial investments at fair value through other comprehensive income	541,439	1,537,016	2,154,327	18,475,971	42,316,681	29,215,891	566,705	94,808,030
Other financial assets	477,045	3,370	2,605	6,904	—	—	13,385	503,309
Total financial assets	30,532,285	22,737,746	37,125,872	113,899,290	198,317,987	202,118,421	48,309,130	653,040,731
Financial liabilities								
Borrowings from central banks	—	74,892	2,397,634	28,191,312	—	—	—	30,663,838
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1,086,500	28,672,847	6,438,478	7,420,940	—	—	—	43,618,765
Financial liabilities at fair value through profit or loss	193,782,346	—	20,552	209,373	—	—	11,861	241,786
Deposits from customers	—	19,308,610	25,674,604	66,879,104	77,138,555	—	—	382,783,219
Debt securities issued	—	4,990,000	13,080,000	22,056,300	8,165,825	4,506,766	—	52,798,891
Lease liabilities	—	11,615	22,752	92,531	283,840	102,241	—	512,979
Other financial liabilities	917,632	17,974	35,949	175,466	1,227,401	1,227,401	—	3,601,823
Total financial liabilities	195,786,478	53,075,938	47,669,969	125,025,026	86,815,621	5,836,408	11,861	514,221,301
Net position	(165,254,193)	(30,338,192)	(10,544,097)	(11,125,736)	111,502,366	196,282,013	48,297,269	138,819,430

The Group	On demand	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
As at March 31, 2021								
Financial assets								
Cash and balances with central banks	8,555,814	—	—	—	—	—	28,414,801	36,970,615
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	9,384,475	8,591,603	642,572	740,747	—	—	—	19,359,397
Loans and advances to customers	7,759,427	10,457,358	20,233,696	69,077,654	85,177,578	167,309,483	—	360,015,196
Financial investments								
— Financial assets at fair value through profit or loss	2,087	767,832	1,332,043	4,126,805	6,799,268	2,798,154	22,387,814	38,214,003
— Financial investments at amortized cost	—	3,325,310	8,459,997	19,452,416	73,768,704	18,124,680	—	123,131,107
— Financial investments at fair value through other comprehensive income	372,708	1,543,341	3,057,467	17,534,157	45,735,358	28,229,333	575,204	97,047,568
Other financial assets	243,353	1,545	4,636	6,397	311	—	10,981	267,223
Total financial assets	26,317,864	24,686,989	33,730,411	110,938,176	211,481,219	216,461,650	51,388,800	675,005,109
Financial liabilities								
Borrowings from central banks	—	2,487,631	3,106,989	24,713,422	—	—	—	30,308,042
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1,848,410	26,811,154	6,885,813	10,287,274	—	—	—	45,832,651
Financial liabilities at fair value through profit or loss	—	—	—	214,714	—	—	19,058	233,772
Deposits from customers	191,022,451	23,152,443	21,666,836	75,826,959	83,350,373	—	—	395,019,062
Debt securities issued	—	3,000,000	14,350,000	26,804,020	8,818,293	4,395,533	—	57,367,846
Lease liabilities	—	11,689	22,891	89,644	276,051	91,576	—	491,851
Other financial liabilities	89,477	9,502	19,007	85,518	—	—	—	203,504
Total financial liabilities	192,960,338	55,472,419	46,051,536	138,021,551	92,444,717	4,487,109	19,058	529,456,728
Net position	(166,642,474)	(30,785,430)	(12,321,125)	(27,083,375)	119,036,502	211,974,541	51,369,742	145,548,381

42.3.3 Analysis of the remaining contractual maturity of financial assets and financial liabilities

The table below summarizes the maturity analysis of the carrying amounts of the Group's and the Bank's financial assets and liabilities by remaining contractual maturities at the end of the reporting period:

The Group	On demand	Within 1 month	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
As at December 31, 2018								
Financial assets								
Cash and balances with central banks	9,227,701	—	—	—	—	—	31,069,181	40,296,882
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	2,132,402	10,997,919	1,251,900	651,353	—	—	—	15,033,574
Loans and advances to customers	3,058,126	5,978,046	15,597,810	41,826,147	44,975,776	46,009,756	—	157,445,661
Financial investments	—	3,376,708	4,426,656	15,912,146	4,630,069	205,659	6,423,499	34,974,737
— Financial assets at fair value through profit or loss	—	—	—	—	—	—	—	—
— Financial investments at amortized cost	—	3,107,833	393,990	8,335,342	53,265,115	2,877,279	—	67,979,559
— Financial investments at fair value through other comprehensive income	119,356	440,842	1,017,309	17,869,387	59,553,269	6,430,998	611,943	86,043,104
Other financial assets	49,449	—	—	—	—	—	8,408	57,857
Total financial assets	14,587,034	23,901,348	22,687,665	84,594,375	162,424,229	55,523,692	38,113,031	401,831,374
Financial liabilities								
Borrowings from central banks	—	—	—	644,513	—	—	—	644,513
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	2,314,109	26,037,345	9,979,410	14,727,546	145,968	—	—	53,204,378
Financial liabilities at fair value through profit or loss	—	—	—	19,922	—	—	4,572	24,494
Deposits from customers	143,759,365	15,249,343	16,779,298	43,049,585	46,167,301	—	—	265,004,892
Debt securities issued	—	4,564,166	17,316,948	29,690,324	—	4,105,287	—	55,676,725
Lease liabilities	—	9,354	18,187	77,680	273,617	121,129	—	499,967
Other financial liabilities	379,334	6,773	13,547	60,961	—	—	—	460,615
Total financial liabilities	146,452,808	45,866,981	44,107,390	88,270,531	46,586,886	4,226,416	4,572	375,515,584
Net position	(131,865,774)	(21,965,633)	(21,419,725)	(3,676,156)	115,837,343	51,297,276	38,108,459	26,315,790

The Group	On demand	Within 1 month	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
As at December 31, 2019								
Financial assets								
Cash and balances with central banks	11,059,948	—	—	—	—	—	28,497,223	39,557,171
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	6,318,421	7,131,643	2,600,191	5,046,561	202,847	—	—	21,299,663
Loans and advances to customers	2,820,961	7,978,652	16,956,237	49,422,195	59,468,165	62,324,428	—	198,970,638
Financial investments								
— Financial assets at fair value through profit or loss	23,228	1,446,535	1,072,722	10,551,786	6,682,907	262,401	10,215,267	30,254,846
— Financial investments at amortized cost	—	—	—	15,515,373	67,029,504	4,324,701	—	86,869,578
— Financial investments at fair value through other comprehensive income	106,927	—	6,004,798	20,037,034	45,104,619	6,534,358	563,149	78,350,885
Other financial assets	153,752	—	—	—	—	—	12,343	166,095
Total financial assets	20,483,237	16,556,830	26,633,948	100,572,949	178,488,042	73,445,888	39,287,982	455,468,876
Financial liabilities								
Borrowings from central banks	2,164	—	510,000	2,089,000	—	—	—	2,601,164
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	2,305,397	26,436,560	6,618,692	11,012,510	—	—	—	46,373,159
Financial liabilities at fair value through profit or loss								
Deposits from customers	172,213,515	8,486,439	15,786,005	51,621,496	66,109,550	—	6,984	314,217,005
Debt securities issued	—	2,786,489	21,283,432	28,031,673	2,057,468	4,112,608	—	58,271,670
Lease liabilities	—	9,948	19,120	78,472	260,082	88,761	—	456,383
Other financial liabilities	123,512	11,435	22,870	102,914	—	—	—	260,731
Total financial liabilities	174,644,588	37,730,871	44,240,119	93,061,479	68,427,100	4,201,369	6,984	422,312,510
Net position	(154,161,351)	(21,174,041)	(17,606,171)	7,511,470	110,060,942	69,244,519	39,280,998	33,156,366

The Group	On demand	Within 1 month	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
As at December 31, 2020								
Financial assets								
Cash and balances with central banks	11,356,302	—	—	—	—	—	27,220,152	38,576,454
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	11,008,374	6,711,348	653,413	330,000	4,299	—	—	18,707,434
Loans and advances to customers	2,222,721	7,727,970	23,471,247	63,124,912	73,182,539	84,912,373	—	254,641,762
Financial investments								
— Financial assets at fair value through profit or loss	1,444	1,762,028	1,955,158	3,903,333	6,098,508	1,884,219	20,496,877	36,101,567
— Financial investments at amortized cost	—	4,311,171	8,262,573	23,461,043	61,093,141	14,540,005	—	111,667,933
— Financial investments at fair value through other comprehensive income	541,439	1,160,273	1,808,776	16,263,518	36,048,754	23,554,136	566,705	79,943,601
Other financial assets	477,045	3,370	2,605	6,904	—	—	13,385	503,309
Total financial assets	25,607,325	21,676,160	36,153,772	107,089,710	176,427,241	124,890,733	48,297,119	540,142,060
Financial liabilities								
Borrowings from central banks	—	72,855	2,393,875	28,186,628	—	—	—	30,653,358
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1,086,500	28,614,284	6,397,748	7,383,685	—	—	—	43,482,217
Financial liabilities at fair value through profit or loss	—	—	20,280	206,700	—	—	11,861	238,841
Deposits from customers	191,635,732	19,059,426	25,284,501	65,724,817	75,844,418	—	—	377,548,894
Debt securities issued	—	4,982,463	13,010,917	21,300,566	6,848,525	4,106,766	—	50,249,237
Lease liabilities	—	10,768	21,074	85,105	248,586	85,327	—	450,860
Other financial liabilities	917,632	17,974	35,949	175,466	1,227,401	1,227,401	—	3,601,823
Total financial liabilities	193,639,864	52,757,770	47,164,344	123,062,967	84,168,930	5,419,494	11,861	506,225,230
Net position	(168,032,539)	(31,081,610)	(11,010,572)	(15,973,257)	92,258,311	119,471,239	48,285,258	33,916,830

The Group	On demand	Within 1 month	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Undated	Total
As at March 31, 2021								
Financial assets								
Cash and balances with central banks	8,553,609	—	—	—	—	—	28,402,268	36,955,877
Financial assets held under resale agreements and deposits and placements with banks and other financial institutions	9,384,474	8,586,467	637,000	731,000	—	—	—	19,338,941
Loans and advances to customers	2,671,300	10,083,155	19,877,597	66,912,757	78,459,447	90,685,627	—	268,689,883
Financial investments								
— Financial assets at fair value through profit or loss	1,444	735,877	1,279,957	3,842,728	6,264,466	2,584,931	22,387,814	37,097,217
— Financial investments at amortized cost	—	2,928,600	7,871,280	16,671,813	66,828,587	15,470,106	—	109,770,386
— Financial investments at fair value through other comprehensive income	372,708	1,310,573	2,734,716	15,032,051	39,337,923	24,775,847	575,204	84,139,022
Other financial assets	243,353	1,545	4,636	6,397	311	—	10,981	267,223
Total financial assets	21,226,888	23,646,217	32,405,186	103,196,746	190,890,734	133,516,511	51,376,267	556,258,549
Financial liabilities								
Borrowings from central banks	—	2,419,025	2,978,728	24,472,849	—	—	—	29,870,602
Financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions	1,848,410	26,754,169	6,822,479	10,165,737	—	—	—	45,590,795
Financial liabilities at fair value through profit or loss								
Deposits from customers	189,045,681	22,876,795	21,286,655	74,516,440	81,915,733	—	19,058	389,641,304
Debt securities issued	—	2,953,079	13,955,596	26,350,600	7,526,093	3,995,533	—	54,780,901
Lease liabilities	—	10,883	21,329	82,470	245,262	73,193	—	433,137
Other financial liabilities	89,477	9,502	19,007	85,518	—	—	—	203,504
Total financial liabilities	190,983,568	55,023,453	45,083,794	135,884,730	89,687,088	4,068,726	19,058	520,750,417
Net position	(169,756,680)	(31,377,236)	(12,678,608)	(32,687,984)	101,203,646	129,447,785	51,357,209	35,508,132

42.3.4 Off-balance sheet items

The tables below summarize the amounts of credit commitments by remaining maturity. Financial guarantees are also included below at notional amounts and based on the earliest contractual maturity date.

The Group

As at December 31, 2018	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	1,484,923	—	—	1,484,923
Letters of credit	227,881	—	—	227,881
Guarantees	286,764	86,174	2,649	375,587
Unused limit of credit cards	7,771,380	—	—	7,771,380
Total	9,770,948	86,174	2,649	9,859,771
As at December 31, 2019	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	1,226,593	—	—	1,226,593
Letters of credit	204,506	—	—	204,506
Guarantees	396,725	203,996	29,616	630,337
Unused limit of credit cards	9,036,803	—	—	9,036,803
Total	10,864,627	203,996	29,616	11,098,239
As at December 31, 2020	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	1,580,695	—	—	1,580,695
Letters of credit	245,179	—	—	245,179
Guarantees	1,206,925	16,049	—	1,222,974
Unused limit of credit cards	9,655,154	—	—	9,655,154
Total	12,687,953	16,049	—	12,704,002
As at March 31, 2021	Within 1 year	1 to 5 years	Over 5 years	Total
Bank acceptances	1,673,832	—	—	1,673,832
Letters of credit	274,123	—	—	274,123
Guarantees	850,764	332,922	23,989	1,207,675
Unused limit of credit cards	9,968,059	—	—	9,968,059
Total	12,766,778	332,922	23,989	13,123,689

42.4 Fair value of financial assets and liabilities

(a) Fair value hierarchy

The Group classifies financial assets and financial liabilities into the following three levels based on the extent to which inputs to valuation techniques used to measure fair value of the financial assets and financial liabilities are observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: fair value measurements are not based on observable market data.

(b) Financial instruments not measured at fair value

The tables below summarize the carrying amounts and fair values of financial assets and liabilities not measured at fair value. Financial assets and liabilities with similar carrying amounts and fair values, such as balances with central banks, financial assets held under resale agreements and deposits and placements with banks and other financial institutions, loans and advances to customers, borrowings from central banks, due to customers, financial assets sold under repurchase agreements and deposits and placements from banks and other financial institutions, and certificates of interbank deposit, are not included.

<u>The Group</u>	<u>As at December 31, 2018</u>				
			<u>Including:</u>		
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets					
Financial investments at amortized cost	<u>67,979,559</u>	<u>67,872,284</u>	<u>—</u>	<u>61,474,869</u>	<u>6,397,415</u>
Financial liabilities					
Bonds issued	<u>3,994,054</u>	<u>4,155,176</u>	<u>—</u>	<u>4,155,176</u>	<u>—</u>
The Group					
			<u>Including:</u>		
	<u>Carrying amount</u>	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Financial assets					
Financial investments at amortized cost	<u>86,869,578</u>	<u>87,784,411</u>	<u>—</u>	<u>83,870,144</u>	<u>3,914,267</u>
Financial liabilities					
Bonds issued	<u>5,993,367</u>	<u>6,107,028</u>	<u>—</u>	<u>6,107,028</u>	<u>—</u>

The Group	As at December 31, 2020				
	Carrying amount	Fair value	Including:		
			Level 1	Level 2	Level 3
Financial assets					
Financial investments at amortized cost	113,205,711	111,181,020	—	110,131,813	1,049,207
Financial liabilities					
Bonds issued	50,249,237	50,251,395	—	50,251,395	—

The Group	As at March 31, 2021				
	Carrying amount	Fair value	Including:		
			Level 1	Level 2	Level 3
Financial assets					
Financial investments at amortized cost	109,770,386	110,032,516	—	109,256,089	776,427
Financial liabilities					
Bonds issued	54,780,901	54,806,794	—	54,806,794	—

(c) Financial instruments measured at fair value

The Group	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers at fair value through other comprehensive income	—	—	19,183,708	19,183,708
Financial assets at fair value through profit or loss				
— Debt securities	—	24,275,723	—	24,275,723
— Fund investments	6,423,499	—	—	6,423,499
— Rights to earnings on credit assets	—	—	4,245,486	4,245,486
— Others	—	—	30,029	30,029
Financial investments at fair value through other comprehensive income				
— Debt securities	—	83,782,712	76,409	83,859,121
— Direct financing instruments for WMPs	—	—	632,949	632,949
— Rights to earnings on credit assets	—	—	939,091	939,091
— Unlisted equity	—	—	611,943	611,943
Total	<u>6,423,499</u>	<u>108,058,435</u>	<u>25,719,615</u>	<u>140,201,549</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss	<u>—</u>	<u>24,494</u>	<u>—</u>	<u>24,494</u>

The Group	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers at fair value through other comprehensive income	—	—	17,968,481	17,968,481
Financial assets at fair value through profit or loss				
— Debt securities	—	16,879,943	—	16,879,943
— Fund investments	10,215,267	—	—	10,215,267
— Rights to earnings on credit assets	—	—	3,130,299	3,130,299
— Others	—	—	29,337	29,337
Financial investments at fair value through other comprehensive income				
— Debt securities	—	76,192,119	381,121	76,573,240
— Direct financing instruments for WMPs	—	—	612,927	612,927
— Rights to earnings on credit assets	—	—	601,569	601,569
— Unlisted equity	—	—	563,149	563,149
Total	<u>10,215,267</u>	<u>93,072,062</u>	<u>23,286,883</u>	<u>126,574,212</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss	<u>—</u>	<u>132,398</u>	<u>—</u>	<u>132,398</u>
The Group				
	As at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers at fair value through other comprehensive income	—	—	27,817,116	27,817,116
Financial assets at fair value through profit or loss				
— Debt securities	—	12,142,543	—	12,142,543
— Fund investments	20,496,877	—	—	20,496,877
— Rights to earnings on credit assets	—	—	3,434,843	3,434,843
— Others	—	—	27,304	27,304
Financial investments at fair value through other comprehensive income				
— Debt securities	—	78,339,683	364,975	78,704,658
— Direct financing instruments for WMPs	—	—	226,063	226,063
— Rights to earnings on credit assets	—	—	446,175	446,175
— Unlisted equity	—	—	566,705	566,705
Total	<u>20,496,877</u>	<u>90,482,226</u>	<u>32,883,181</u>	<u>143,862,284</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss	<u>—</u>	<u>238,841</u>	<u>—</u>	<u>238,841</u>

The Group	As at March 31, 2021			
	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers at fair value through other comprehensive income	—	—	27,383,861	27,383,861
Financial assets at fair value through profit or loss				
— Debt securities	—	11,275,725	—	11,275,725
— Fund investments	22,358,502	—	—	22,358,502
— Rights to earnings on credit assets	—	—	3,435,058	3,435,058
— Others	—	—	27,932	27,932
Financial investments at fair value through other comprehensive income				
— Debt securities	—	82,886,602	181,182	83,067,784
— Direct financing instruments for WMPs	—	—	223,443	223,443
— Rights to earnings on credit assets	—	—	272,591	272,591
— Unlisted equity	—	—	575,204	575,204
Total	<u>22,358,502</u>	<u>94,162,327</u>	<u>32,099,271</u>	<u>148,620,100</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss	<u>—</u>	<u>230,174</u>	<u>—</u>	<u>230,174</u>

The fair values of financial assets and liabilities are determined as follows:

- If traded in active markets, fair values of financial assets and financial liabilities with standard terms and conditions are determined with reference to quoted market bid prices and ask prices, respectively;
- If not traded in active markets, fair values of financial assets and financial liabilities are determined by using valuation techniques. These valuation techniques include the use of recent transaction prices of the same or similar instruments, discounted cash flow analysis and generally accepted pricing models.

The Group has established an independent valuation process for financial assets and liabilities. Financial Market Department and Investment Banking and Wealth Management Department are responsible for carrying out the valuation of financial assets and financial liabilities. Valuation methods, parameters, assumptions and results are independently verified by the Department of Comprehensive Risk Management and Compliance; valuation results are obtained following the valuation process and accounted for in accordance with the accounting rules by the Operation Management Department; information on financial assets and liabilities for disclosure purposes is prepared by the Financial Accounting Department based on the independently reviewed valuation results. Valuation policies and procedures for various kinds of financial instruments are approved by the Group's Risk Management Committee. Any changes in valuation policies and procedures are required to be submitted to the Risk Management Committee for approval before being put into practice. For the years ended December 31, 2018, 2019 and 2020 and the three months ended March 31, 2021, there were no significant transfers between the fair value levels.

The fair value of financial instruments is, in certain circumstances, measured using valuation models which incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on observable market data. The following table shows the sensitivity of fair value due to parallel movement of plus or minus 1 percent of change in fair value to reasonably possible alternative assumptions.

The Group	As at December 31, 2018			
	Effect on net profit		Effect on revaluation reserve	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Loans and advances to customers at fair value through other comprehensive income	—	—	193,956	(193,914)
Financial assets at fair value through profit or loss				
— Rights to earnings on credit assets	43,850	(43,821)	—	—
— Others	341	(341)	—	—
Financial investments at fair value through other comprehensive income				
— Debt securities	—	—	832	(832)
— Direct financing instruments for WMPs	—	—	6,690	(6,682)
— Rights to earnings on credit assets	—	—	9,966	(9,954)
—Unlisted equity investments	—	—	10,068	(9,967)
The Group	As at December 31, 2019			
	Effect on net profit		Effect on revaluation reserve	
	Favorable	(Unfavorable)	Favorable	(Unfavorable)
Loans and advances to customers at fair value through other comprehensive income	—	—	158,291	(158,266)
Financial assets at fair value through profit or loss				
— Rights to earnings on credit assets	31,808	(31,796)	—	—
— Others	361	(361)	—	—
Financial investments at fair value through other comprehensive income				
— Debt securities	—	—	3,729	(3,720)
— Direct financing instruments for WMPs	—	—	6,343	(6,339)
— Rights to earnings on credit assets	—	—	3,914	(3,911)
—Unlisted equity investments	—	—	10,053	(9,953)

<u>The Group</u>	<u>As at December 31, 2020</u>			
	<u>Effect on net profit</u>		<u>Effect on revaluation reserve</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Loans and advances to customers at fair value through other comprehensive income	—	—	224,399	(224,395)
Financial assets at fair value through profit or loss				
— Rights to earnings on credit assets	44,511	(44,442)	—	—
— Others	336	(336)	—	—
Financial investments at fair value through other comprehensive income				
— Debt securities	—	—	3,569	(3,549)
— Direct financing instruments for WMPs	—	—	2,261	(2,261)
— Rights to earnings on credit assets	—	—	4,953	(4,942)
—Unlisted equity investments	—	—	10,104	(10,004)
<u>The Group</u>	<u>As at March 31, 2021</u>			
	<u>Effect on net profit</u>		<u>Effect on revaluation reserve</u>	
	<u>Favorable</u>	<u>(Unfavorable)</u>	<u>Favorable</u>	<u>(Unfavorable)</u>
Loans and advances to customers at fair value through other comprehensive income	—	—	204,358	(208,204)
Financial assets at fair value through profit or loss				
— Rights to earnings on credit assets	34,139	(34,135)	—	—
— Others	1,110	(1,099)	—	—
Financial investments at fair value through other comprehensive income				
— Debt securities	—	—	2,232	(2,232)
— Direct financing instruments for WMPs	—	—	2,285	(2,284)
— Rights to earnings on credit assets	—	—	2,658	(2,659)
—Unlisted equity investments	—	—	10,116	(10,016)

The movement of Level 3 fair value measurements is as follows:

The Group	Transfer		Purchases, sales and settlements	Total gains or losses	Recorded in other comprehensive income	December 31, or loss for assets and liabilities held at the end of the year 2018	Unrealized gains or losses included in profit
	January 1, 2018	into Level 3					
			<u>Purchases settlements</u>	<u>Recorded in profit or loss</u>			
Assets							
Loans and advances to customers at fair value through other comprehensive income	12,003,302	—	19,188,301 (12,003,302)	—	(4,593)	19,183,708	—
Financial assets at fair value through profit or loss							
— Rights to earnings on credit assets	2,035,142	—	3,986,213 (1,767,254)	(8,615)	—	4,245,486	52,527
— Others	30,000	—	—	29	—	30,029	29
Sub-total	2,065,142	—	3,986,213 (1,767,254)	(8,586)	—	4,275,515	52,556
Financial investments at fair value through other comprehensive income							
— Debt securities	—	584,941	—	—	(508,532)	76,409	—
— Direct financing instruments for WMPs	1,673,287	—	350,000 (1,397,853)	—	7,515	632,949	—
— Rights to earnings on credit assets	281,419	—	932,548 (280,937)	—	6,061	939,091	—
— Unlisted equity investments	615,765	—	—	—	(3,822)	611,943	—
Sub-total	2,570,471	584,941	1,282,548 (1,678,790)	—	(498,778)	2,260,392	—
Total	16,638,915	584,941	24,457,062 (15,449,346)	(8,586)	(503,371)	25,719,615	52,556

The Group	Acquisition Transfer		December 31, 2020	Unrealized gains or losses included in profit or loss for assets and liabilities held at the end of the year
	January 1, 2020	of a subsidiary into Level 3		
			Recorded in profit or loss	Recorded in other comprehensive income
Assets				
Loans and advances to customers at fair value through other comprehensive income	17,968,481	1,444,963	—	2,061,586
Financial assets at fair value through profit or loss				
— Rights to earnings on credit assets	3,130,299	—	6,032,018	(3,130,299)
— Others	29,337	—	—	(2,033)
Sub-total	3,159,636	—	6,032,018	(2,599,208)
Financial investments at fair value through other comprehensive income				
— Debt securities	381,121	—	—	(128,949)
— Direct financing instruments for WMPs	612,927	—	205,840	(592,010)
— Rights to earnings on credit assets	601,569	—	432,848	(577,774)
— Unlisted equity investments	563,149	—	—	3,556
Sub-total	2,158,766	—	638,688	(1,169,784)
Total	23,286,883	1,444,963	30,981,272	(22,268,563)
			(2,599,208)	1,925,031
				32,883,181
				(2,599,625)

42.5 Capital management

The Group's capital management objectives are as follows:

- maintain an adequate capital base to support the development of its business;
- support the Group's financial stability and profitable growth;
- allocate capital through an efficient and risk based approach to optimize risk-adjusted return to shareholders; and
- safeguard the long-term sustainability of the Group's franchise so that it can continue to provide sufficient owner returns and benefits for other stakeholders.

Capital adequacy ratio and the use of regulatory capital are monitored quarterly by the Bank's management with employing techniques based on the guidelines developed by the Basel Committee, as implemented by the CBIRC, for supervisory purposes. The required information is filed with the CBIRC on a quarterly basis.

The Bank calculated the capital adequacy ratio based on the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) issued by CBIRC in June 2012. According to the approach, the Bank calculated the credit risk-weighted assets measurement by the weighted method, market risk-weighted assets measurement by the standard method, and operation risk-weighted assets measurement by the basic indicator method.

As at December 31, 2018, 2019 and 2020 and March 31, 2021, the capital adequacy ratios and related components of the Group illustrated below are computed based on the Group's statutory financial statements prepared in accordance with PRC GAAP.

The CBIRC requires commercial banks to meet the requirements of capital adequacy ratios by the end of 2018 in accordance with the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial). For systematically important banks, CBIRC requires minimum core tier 1 capital adequacy ratio, tier 1 capital adequacy ratio and capital adequacy ratio of 8.50%, 9.50% and 11.50% respectively. For non-systematically important banks, CBIRC requires corresponding minimum ratios of 7.50%, 8.50% and 10.50%, respectively. At present, the Bank is fully compliant with legal and regulatory requirements.

The capital adequacy ratio of December 31, 2018, 2019 and 2020 and March 31, 2021 under the Rules for Regulating the Capital Adequacy of Commercial Banks (Trial) is as follows:

	As at December 31,			As at
	2018	2019	2020	March 31, 2021
Core tier 1 capital	29,836,617	34,326,709	37,017,880	38,718,600
Core tier 1 capital deductions	(11,975)	(5,466)	(543,201)	(554,062)
Net core tier 1 capital	29,824,642	34,321,243	36,474,679	38,164,538
Other tier 1 capital	13,530	68,307	116,300	127,655
Net tier 1 capital	29,838,172	34,389,550	36,590,979	38,292,193
Tier 2 capital	6,801,076	7,184,332	7,676,173	7,863,852
Net capital	36,639,248	41,573,882	44,267,152	46,156,045
Total risk-weighted assets	246,896,116	271,759,654	316,197,405	331,271,072
Core tier 1 capital adequacy ratio	12.08%	12.63%	11.54%	11.52%
Tier 1 capital adequacy ratio	12.09%	12.65%	11.57%	11.56%
Capital adequacy ratio	14.84%	15.30%	14.00%	13.93%

43 Events after the reporting period

43.1 Dividend

Upon approval at the 2020 Annual General Meeting on April 23, 2021, the Bank distributed cash dividend of RMB2.6 (tax inclusive) per ten shares, with a total amount of RMB1,492.5 million, to shareholders of the Bank.

Pursuant to the resolutions of the shareholders general meeting on April 25, 2019, the Bank declared a special cash dividend of RMB1.5 per ten shares to its shareholders before the completion of the global offering and the listing. Following that, pursuant to the resolutions of the Board of Directors on September 6, 2021, the Bank confirmed to declare the special cash dividend to its shareholders whose name appear on the Bank's register of members on August 31, 2021. The total amount of such dividend is approximately RMB861.1 million, which is expected to be paid after the entering into of the Price Determination Agreement and before the listing date. As the Bank can control whether to distribute the special dividend or not through controlling the progress of the listing, and the successful listing was uncertain for the Track Record Period, such special dividend has not been recognized for the Track Record Period.

43.2 Issuance of eligible tier 2 capital instruments

The 2020 Annual General Meeting of Shareholders of the Bank considered and approved the proposal on the public issuance of eligible tier 2 capital bonds of Dongguan Rural Commercial Bank Co., Ltd. on April 23, 2021. The Bank planned to issue eligible tier 2 capital instruments of not more than RMB4.0 billion (inclusive) in the domestic markets to replenish the Bank's tier 2 capital. The eligible tier 2 capital instruments issuance plan is further subject to the approval by the relevant regulatory authorities.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Bank or any of its subsidiaries in respect of any period subsequent to March 31, 2021 and up to the date of this report.